KPMG

E-470 PUBLIC HIGHWAY AUTHORITY

Basic Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

E-470 PUBLIC HIGHWAY AUTHORITY

Table of Contents

The following is management's discussion and analysis of the financial performance and activity of E-470 Public Highway Authority (the Authority), and is designed to provide an introduction and overview that users need to interpret the basic financial statements as of and for the years ended December 31, 2011 and 2010. This discussion has been prepared by management covering complete data for a three-year period, and should be read in conjunction with the basic financial statements and notes thereto, which immediately follow this section.

Authority Overview

E-470 is a toll road that forms a semi-circular beltway along the eastern perimeter of the Denver metropolitan area. The 75 mile-per-hour toll road extends 47 miles from State Highway C-470 at I-25, to I-25 at Northwest Parkway, a toll road managed by a separate highway authority. The toll road travels through three counties and five municipalities and provides easy access to Denver International Airport.

The toll road has been financed, constructed, operated and governed by the Authority, which is a body corporate and political subdivision of the State of Colorado, established in January 1988 with all the powers, duties, and privileges permitted by the Public Highway Authority Law of the State, part 5 of article 4 of title 43, Colorado Revised Statutes, as amended (Public Highway Act). Under the Public Highway Act, the Authority has the power without voter approval, unless limited by the contract creating such authority, to construct, finance, operate or maintain beltways and other transportation improvements, take private property by condemnation, establish and collect tolls on any highway provided by the Authority, establish and collect a highway expansion fee from persons developing property within the boundaries of the Authority, issue bonds, and pledge its revenues to payment of bonds, along with other powers as specified within the Act.

The toll road was built and opened in segments from 1991 to 2003. Segment I of the toll road, I-25 south to Parker Road, was opened to traffic in June 1991. The northern portion of Segment II, 56th Avenue to 120th Avenue, and the southern portion of Segment III, Parker Road to Smoky Hill Road, opened to traffic in July 1998. In May 1999, the remaining portions of Segment II and III, Smoky Hill Road to 56th Avenue, was opened to link the already operational north and south sections of the E-470 Toll Road. Segment IV, the final segment of the E-470 toll road, was opened in two sections. The first, from 120th Avenue to U.S. Highway 85, opened in August 2002; the second, from U.S. Highway 85 to I-25 North, opened in January 2003. The four-lane toll road (with five miles consisting of six lanes) has been designed to accommodate future widening up to eight lanes and to allow for the addition of continuous recreation paths and future median mass transit.

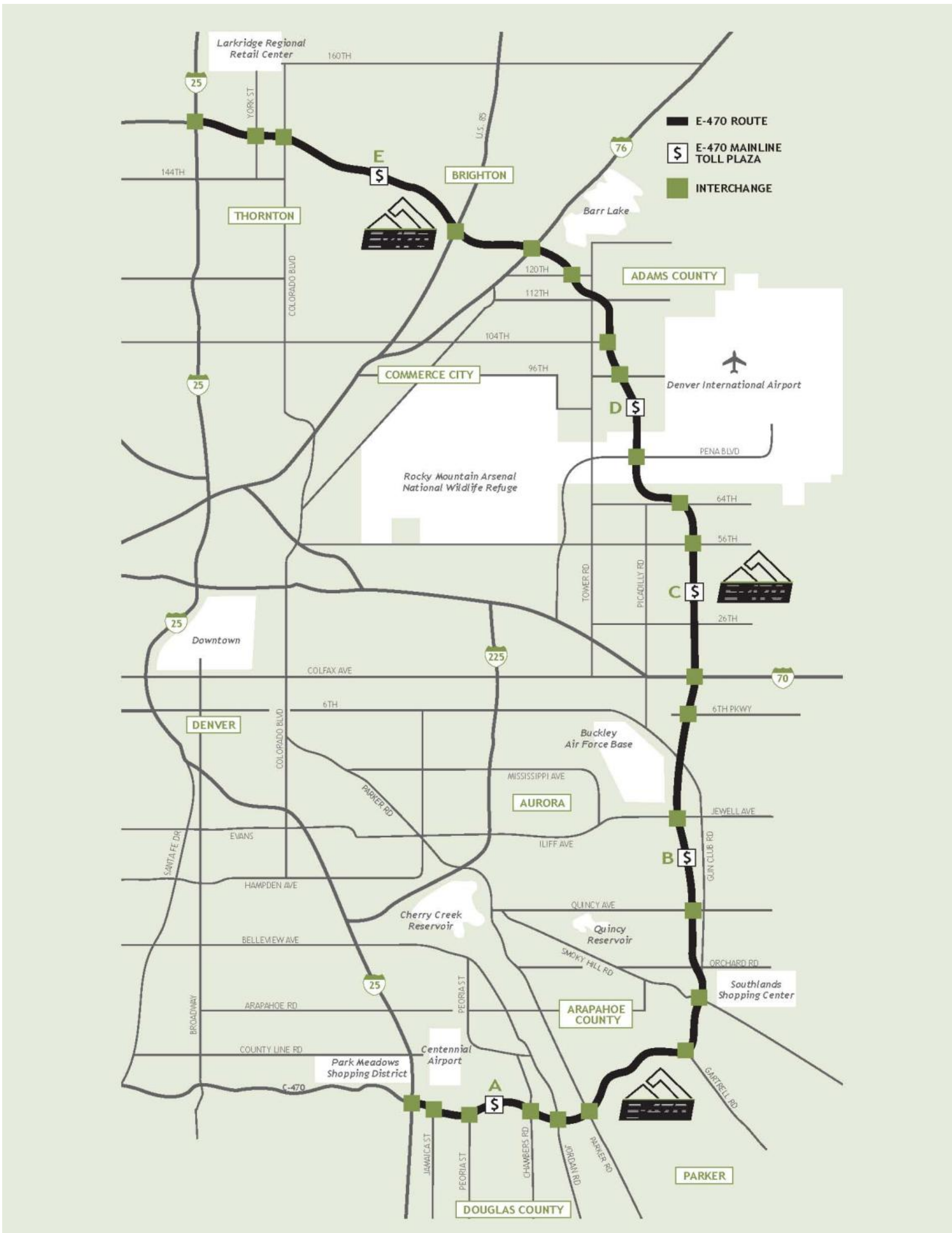
The Authority consists of eight member jurisdictions, each of which has an elected official representative that sits on the Authority's board of directors: Adams, Arapahoe, and Douglas counties, and the municipalities of Aurora, Brighton, Commerce City, Parker, and Thornton. The Authority also has eight nonvoting members including the cities of Arvada and Greeley, City and County of Broomfield, and Weld County, Denver Regional Council of Governments (DRCOG), Regional Transportation District (RTD), Regional Air Quality Council (RAQC), and the Colorado Department of Transportation (CDOT). Appointments to the board are made annually for both voting and nonvoting members.

E-470 PUBLIC HIGHWAY AUTHORITY

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)



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The Authority provides two options for toll payments – EXpressToll and License Plate Toll (LPT).

EXpressToll is a state-of-the-art electronic system that allows drivers to pass through mainline tolling points and ramps without stopping or slowing below the prevailing speed limit. EXpressToll customers pay 20% less in tolls on E-470 compared to License Plate Toll customers. EXpressToll currently operates with either the Title 21 hard-case transponder or the new windshield 6c sticker tag that allows prepaid tolls to be automatically deducted from a customer's account as the customer uses the toll road.

LPT customers are all customers that do not have an EXpressToll account. LPT customers are generally billed monthly for all accumulated toll transactions through any tolling points (mainline and ramps). Cameras photograph the front and rear license plates of all vehicles and, if the vehicle does not have an EXpressToll account, a statement (bill) is sent to the registered owner of the vehicle or a previous LPT customer whose information is on file. No advance registration is required. LPT customers may also set up a managed account online to prepay tolls, leave a credit card on file, receive statements via e-mail, or pay for tolls prior to a statement being generated.

2011 Financial Highlights

- Toll operations revenues (which include tolls and toll violation related revenues) increased 12.5% from 2010 to 2011 increasing from $99.0 million to $111.4 million. Toll operations revenues increased 3.5% from 2009 to 2010 increasing from $95.6 million to $99.0 million.
- Operating expenses, before depreciation expense, decreased from $33.8 million in 2010 to $29.3 million in 2011. Operating expenses, before depreciation, increased from $32.6 million in 2009 to $33.8 million in 2010.
- Debt service coverage, a critical measurement of the Authority's annual operations, for fiscal 2011 was 1.57 versus a budgeted 1.52. Debt service coverage for fiscal year 2010 was 1.39 versus a budgeted 1.34. Debt service coverage for fiscal year 2009 was 1.39 versus a budgeted 1.37.
- In early September 2011, the Authority successfully refunded the remaining portions of the Series 2007A-2 and 2007B-2 fixed-rate term bonds totaling $72.6 million with the Series 2011A SIFMA (Securities Industry and Financial Markets Association Municipal Swap) Index Term Rate Bonds with no associated premium or discount. The Authority pays interest on the Series 2011A bonds each month based on the previous months' final SIMFA market pricing plus 272 basis points (2.72%). The Series 2011A bonds term period is three years, and during this period, the variable interest due will correspond with a portion of the outstanding notional amounts on the Authority's 2007 interest rate swaps.
- The Authority successfully completed the $3.5 million pavement resurfacing project from 120th Avenue to the northern most toll plaza with a total length of 5.9 miles on time and under budget. The resurfacing

project was scheduled maintenance to ensure the highway is safe and comfortable for all customers, as well as to preserve the condition of the road infrastructure.

- In the fall of 2011, the Authority successfully upgraded all antennas in the toll lanes to improve functionality and perform with the older Title 21 transponders as well as the new 6c sticker tags. The Authority is an industry leader switching to the 6c sticker tags, which provides more convenient and less intrusive devices on the customer's windshield, and improves accuracy of identifying the related customer account. Additionally, the 6c sticker tags are substantially less expensive than Title 21 transponders.
- The Authority entered into an agreement in July of 2011 to allow for installation of solar panels at all ramp and building locations from the Gartrell interchange to the 64th Avenue interchange. This 16-mile area will have 22 separate sites (18 ramp locations and 4 building locations) with solar-generating facilities that will help power streetlights, variable message signs, toll collection equipment, plaza and maintenance facilities, as well as the E-470 administrative headquarters facility with a total combined generating capacity of 707 kilowatts. The agreement provisions are expected to reduce the carbon footprint and energy costs of the Authority for several years. The Authority is currently pursuing LEED certification for the Authority headquarters facility, which is the Leadership in Energy and Environmental Design program governed by the U.S. Green Building Council. The installation of the equipment began in late 2011 and will be fully operational in early 2012.
- Throughout 2011, additional operational changes were implemented to improve toll collections and offer additional services to LPT and EXpressToll customers. These changes include: designing additional changes to the LPT billing process, which will be fully implemented in 2012 and are intended to make the billing process more understandable to customers; updating the website for the Authority and EXpressToll with a new look and better functionality for customers; and approval by the board of directors for significant policy changes to the assessments of civil penalties and court costs. Prior to the change, civil penalties and court fees were assessed per unpaid toll transaction ($25 penalty and $20 court cost). After the change, there is a single $25 penalty per civil penalty notice and a single $20 fee per court hearing. This will dramatically lower the amount of fees and fines a customer can accumulate for delinquent tolls while covering the costs incurred by the Authority to collect outstanding tolls.
- In November 2010, the Authority's board of directors approved two changes to the toll rate schedule. The first was a change from the previous policy to implement a $0.25 increase every three years to annual increases in smaller increments that would equate to the $0.25 increase every third year. The second change was an increase in the differential between EXpressToll and LPT toll rates. Since the inception of LPT in July 2009, LPT customers paid a 10% premium over EXpressToll customers. The board of directors voted to increase that differential to 25%. Both policies were effective on January 1, 2011. Further, in November 2011 and in accordance with the previous years' toll rate changes, the board of directors voted to increase the EXpressToll rates by $0.10 at all mainline tolling points and $0.05 at all ramp tolling points. The LPT rates were recalculated at 25% more than the new EXpressToll rates, and both were effective January 1, 2012. These annual incremental toll increases in 2011 and 2012 support the Authority's escalating debt service due in 2012 and beyond.

Summary of Operations

E-470 toll operations revenues for 2011 were $111.4 million, a 12.5% increase over the $99.0 million in 2010. This increase is mainly due to increased overall toll transactions and an incremental toll increase beginning on January 1, 2011 for all tolling points including an increased toll differential for LPT versus EXpressToll customers. Toll operations revenues for fiscal year 2011 were $2.4 million above the $109.0 million 2011 budget. Traffic on E-470 during 2011 combined for 52.1 million transactions, with approximately 73.0% of them paid using EXpressToll transponders. E-470 toll operations revenues for 2010 were $99.0 million, a 3.5% increase over 2009's $95.6 million. This increase was mainly due to increased overall toll transactions and improved collection rates on LPT from the prior year. Toll operations revenues for fiscal year 2010 were $6.1 million below the $105.1 million 2010 budget. Traffic on E-470 during 2010 combined for 51.3 million transactions, with approximately 72.5% of them paid using EXpressToll transponders.

Total operating expenses, before depreciation expense, for 2011 were $29.3 million, representing a 13.4% decrease from 2010 operating expenses. Approximately $1.8 million of the decrease was due to billing process changes in full effect during 2011 wherein all printing and postage costs for violation notices are now incurred by the collection law firm engaged by the Authority. For most of 2010, these costs were incurred by the Authority. Also, the Authority realized a lower than expected expense on the Segment IV resurfacing project from 120th Avenue to the northern most toll plaza covering 5.9 miles. Total operating expenses, before depreciation expense, for 2010 were $33.8 million, representing a 3.7% increase over 2009 operating expenses. Approximately $0.8 million of the increase was due to increased costs in out-of-state Department of Motor Vehicle (DMV) retrievals and printing and postage costs associated with LPT.

Certain Senior Revenue Bond principal and interest payments from the senior debt service fund during 2011 and 2010 were $65.1 million and $63.7 million, respectively, on the Series 1997, 2006, 2007, 2010, and 2011 bonds, and interest rate swap differentials in 2011 and Series 1997, 2006, and 2007 bonds, and interest rate swap differentials in 2010. In 2011 and 2010, approximately $2.5 million in principal and interest were due and paid on the Series 2009 Vehicle Registration Fee (VRF) bonds from the General Surplus account. Debt service coverage for 2011 was 1.57 compared to the 1.39 coverage in both 2010 and 2009. The Master and Supplemental Bond Resolutions (Bond Resolutions) require a minimum coverage of 1.30.

Overview of Basic Financial Statements

The Authority only engages in business-type activities. These activities are intended to recover all related costs through user fee charges (tolls) to external customers for goods and services. The Authority reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business. The Authority's basic financial statements include comparative Statements of Net Deficit, Statements of Revenues, Expenses, and Changes in Net Deficit, and the Statements of Cash Flows. Also included are the notes to the basic financial statements that provide more detailed data. These basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The Authority's net deficit is comprised of the following categories:

Invested in capital assets, net of related debt – reflects the Authority's investment in capital assets (e.g. land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

Restricted – represent resources that are subject to external restrictions on how they may be used.

Unrestricted – represents resources that may be used to meet the Authority's ongoing obligations to the public and creditors.

Financial Results and Analysis

Summary of Net Deficit

		2011	2010	2009
Current assets	$	114,727,359	113,925,489	129,207,243
Noncurrent assets:				
Capital assets		692,125,889	722,770,401	753,981,982
Other noncurrent assets		253,611,491	217,986,601	191,549,832
Total noncurrent assets		945,737,380	940,757,002	945,531,814
Total assets	$	1,060,464,739	1,054,682,491	1,074,739,057
Current liabilities	$	70,527,161	60,820,249	63,331,764
Noncurrent liabilities		1,487,883,067	1,431,998,481	1,389,474,715
Total liabilities		1,558,410,228	1,492,818,730	1,452,806,479
Net deficit:				
Invested in capital assets, net of related debt		(154,720,602)	(134,983,088)	(112,764,816)
Restricted		43,827,676	32,281,071	34,595,502
Unrestricted		(387,052,563)	(335,434,222)	(299,898,108)
Total net deficit		(497,945,489)	(438,136,239)	(378,067,422)
Total liabilities and net deficit	$	1,060,464,739	1,054,682,491	1,074,739,057

The largest portions of the Authority's assets are noncurrent. Approximately 65% of the assets are capital assets (e.g., infrastructure, buildings, equipment, and other), net of accumulated depreciation. The Authority uses these capital assets to provide services, and consequently, these assets are not available to liquidate liabilities or other future spending. The acquisition of capital assets was primarily financed from revenue bond proceeds. Revenue bonds payable, net of the current portion, is approximately 94% of total noncurrent liabilities. Total current liabilities were $70.5 million and $60.8 million at the end of 2011 and 2010, respectively. Of the total current liabilities, $56.6 million (80%) and $48.1 million (79%) for 2011 and 2010, respectively, are current revenue bonds payable, current notes payable, and related accrued interest payable. Portions of these liabilities are to be paid from current assets and the subsequent year's operating and nonoperating revenue.

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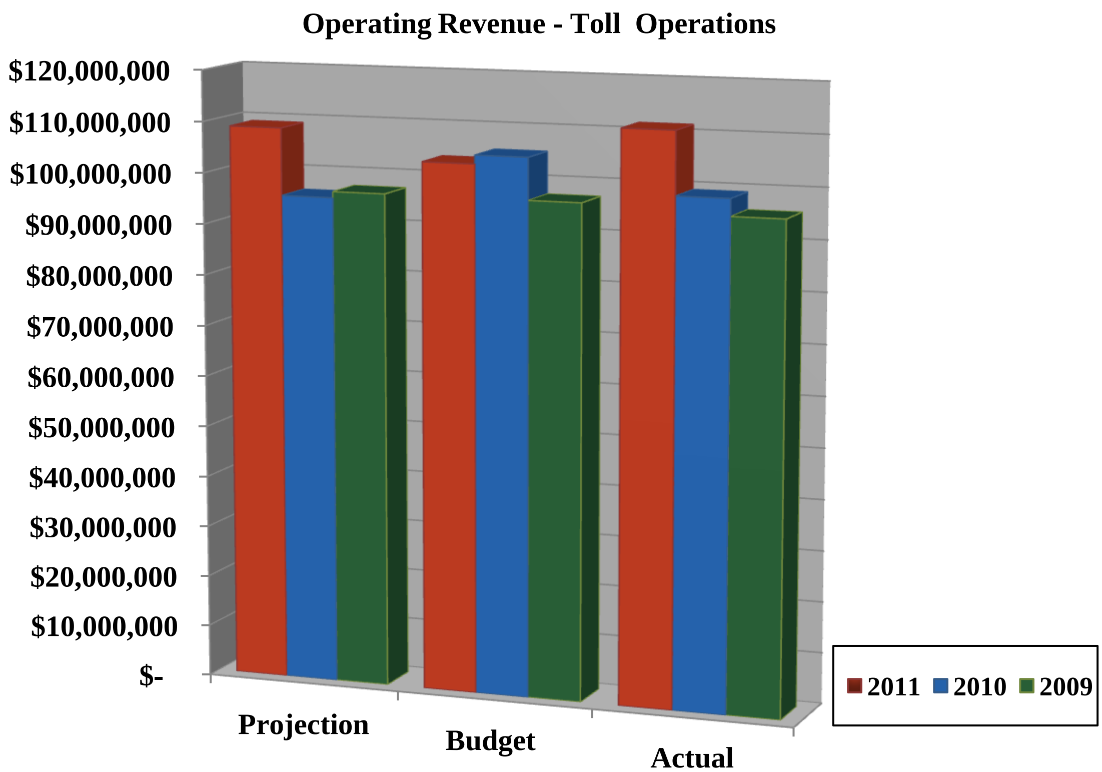
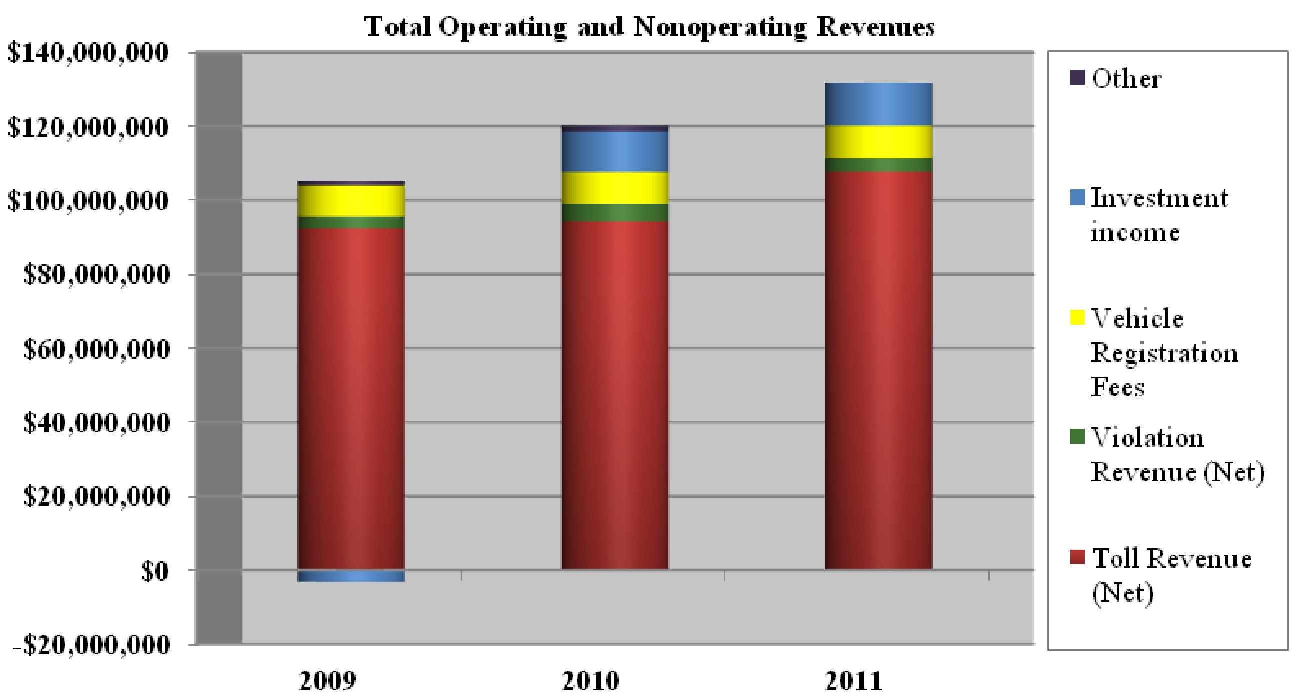
Summary of Revenue, Expenses, and Changes in Net Deficit

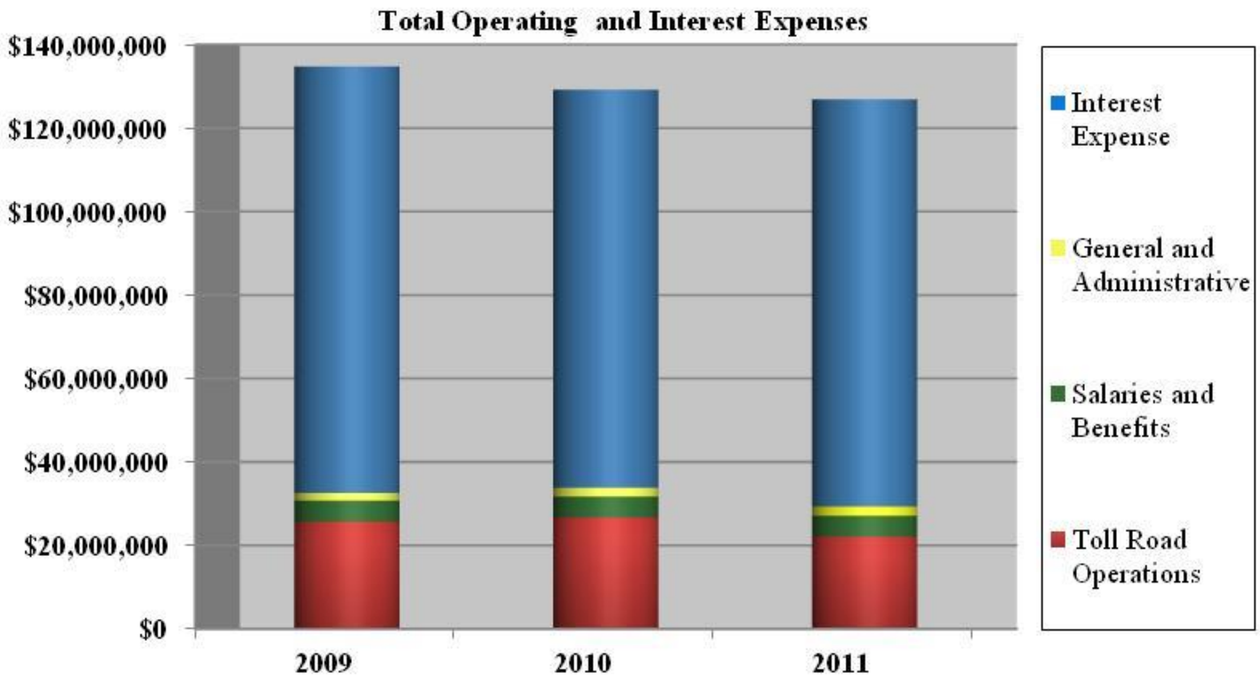
	2011	2010	2009
Operating revenue – toll operations	$ 111,362,630	99,001,315	95,625,715
Operating expenses before depreciation expense	(29,256,538)	(33,781,694)	(32,561,726)
Depreciation expense	(33,868,940)	(33,853,332)	(34,331,727)
Operating income	48,237,152	31,366,289	28,732,262
Nonoperating revenues, net	20,060,945	21,102,986	6,450,462
Nonoperating interest expense and loss on derivative instruments	(128,107,347)	(112,538,092)	(109,624,247)
Change in net deficit	(59,809,250)	(60,068,817)	(74,441,523)
Net deficit, beginning of year	(438,136,239)	(378,067,422)	(303,625,899)
Net deficit, end of year	$ (497,945,489)	(438,136,239)	(378,067,422)

Toll operations revenues in 2011 and 2010 were $111.4 million and $99.0 million, respectively, for an increase of 12.5% over 2010. Toll operations revenues in 2010 and 2009 were $99.0 million and $95.6 million, respectively, for an increase of 3.5% over 2009. Toll operations revenues accounted for 84.7% and 82.4% of total revenue of 2011 and 2010, respectively, which includes nonoperating revenues. Toll operations revenues accounted for 82.4% and 93.7% of total revenue of 2010 and 2009, respectively. Nonoperating revenues, net consist of the annual VRF fees, investment income, and other income (loss). The 2011 nonoperating revenues remained consistent with prior year, while increasing by $14.6 million from 2009 to 2010 due to improved fair market values at fiscal year-end within investment income. Nonoperating interest expense and loss on derivative instruments increased from 2010 to 2011 by $15.6 million due to a net increase in interest expense of approximately $2.2 million from escalating debt service due, and net increase in loss on derivative instruments of $13.3 million due to widening interest rates on the Authority's swaps. Nonoperating interest expense and loss on derivative instruments increased from 2009 to 2010 by $2.9 million due to a net decrease in interest expense of approximately $6.7 million offset by the increase in derivative instruments loss of $9.6 million resulting primarily from the partial interest rate swap termination payments in October 2010.


Operating Revenue - Toll Operations
$120,000,000
$110,000,000
$100,000,000
$90,000,000
$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$-
Projection
Budget
Actual
2011
2010
2009



Total operating and nonoperating revenues for 2011 and 2010 were $131.4 million and $120.1 million, respectively. This increase is primarily due to increased overall toll transactions and an incremental toll increase beginning on January 1, 2011 for all tolling points including an increased toll differential for LPT versus EXpressToll customers. Total revenues for 2010 and 2009 were $120.1 million and $102.1 million, respectively. The increase is primarily due to slightly increased toll revenues (net) and violation revenues (net), and improved investment income due to fair market valuations at December 31, 2010 versus 2009.



Total operating expenses, before depreciation expense and including nonoperating interest expense for 2011 and 2010 were $126.9 million and $129.2 million, respectively. This decrease is primarily due to decreased toll road operations expense of $4.7 million from improved billing processes and resurfacing project efficiencies, offset by an increase of $2.2 million in interest expense from accumulated accretion on the Authority's capital appreciation bonds recognized as interest expense. Total operating expenses, before depreciation expense and including nonoperating interest expense for 2010 and 2009 were $129.2 million and $134.7 million, respectively. The decrease is primarily due to the net decrease in interest expense of $6.7 million from initial cost savings in the 2009 debt refunding and 2010 bond tender transaction offset by the increased accumulated accretion on the Authority's capital appreciation bonds recognized as interest expense.

Capital Assets and Debt Service

Total capital assets (gross) including construction-in-progress slightly decreased from $1,070 million in 2010 to $1,067 million in 2011. Accumulated depreciation reduced the year-end capital asset balances to $692.1 million in 2011 and $722.8 million in 2010. During 2011, the Authority expended approximately $3.3 million on capital projects, and completed capital projects totaling $3.0 million, which were closed from construction-in-progress to their respective capital asset accounts. The major projects completed included hardware upgrades to improve the Authority's EXpressToll lane equipment and read the old Title 21 transponders as well as the new 6c sticker tags, and various enhancements to the Authority's toll collection system back office. During 2010, the Authority expended approximately $3.0 million on capital projects, and completed capital projects totaling $3.5 million, which were closed from construction-in-progress to their respective capital asset accounts. The major project completed in 2010 was the median cable barrier, which was a multi-year project installing the barrier along the entire 47-mile toll road to improve safety for customers and workers.

In 2011, certain principal and interest paid on Senior Bond debt from restricted debt service consisted of $34.0 million in Series 1997 bonds, $1.2 million in Series 2006 bonds, $22.3 million in Series 2007 bonds, $4.4 million in Series 2010 bonds, $0.7 million in Series 2011 bonds, and $2.5 million on the four interest rate swaps settlement differential. The Authority also paid approximately $2.5 million on the Series 2009 VRF bonds using unrestricted surplus funds.

In 2010, certain principal and interest paid on Senior Bond debt from restricted debt service and unrestricted surplus funds consisted of $39.1 million in Series 1997 bonds, $1.2 million in Series 2006 bonds, $25.5 million in Series 2007 bonds, and $2.8 million on the four interest rate swaps settlement differential. The Authority also paid approximately $2.5 million on the Series 2009 VRF bonds.

In 2009, certain principal and interest paid on Senior Bond debt from restricted debt service and unrestricted surplus funds consisted of $32.9 million in Series 1997 bonds, $1.2 million in Series 2006 bonds, $24.4 million in Series 2007 bonds, and $3.0 million on the four interest rate swaps settlement differential. The Authority also paid approximately $3.4 million on the Series 2009 VRF bonds.

Debt Administration

E-470 Revenue Bonds Outstanding Principal

	2011	2010	2009
Series 1997 A	$ 32,520,000	32,520,000	32,520,000
Series 1997 B	439,877,099	448,016,510	479,898,074
Series 2000 B	316,379,080	297,410,950	279,581,014
Series 2004 A	111,213,931	105,443,761	99,972,917
Series 2004 B	104,824,757	99,112,404	93,711,226
Series 2004 C	22,065,000	21,459,597	20,580,988
Series 2006 A	24,105,000	24,105,000	24,105,000
Series 2006 B	74,167,468	70,543,728	67,097,078
Series 2007 A-1	49,525,000	50,975,000	51,975,000
Series 2007 A-2	—	47,500,000	52,200,000
Series 2007 B-1	49,525,000	50,975,000	51,975,000
Series 2007 B-2	—	25,065,000	52,200,000
Series 2007 C-1	49,525,000	50,975,000	51,975,000
Series 2007 C-2	28,925,000	28,925,000	52,200,000
Series 2007 D-1	49,535,000	51,010,000	52,035,000
Series 2007 D-2	37,150,000	37,150,000	52,165,000
Vehicle registration fee 2009	14,155,000	16,035,000	17,865,000
Series 2010 A	23,717,371	22,113,902	—
Series 2010 C	81,655,000	81,655,000	—
Series 2011 A	72,565,000	—	—
Discounts, premiums, and deferred refunding adjustments, net	(127,499,056)	(132,764,246)	(130,085,437)
Total	$ 1,453,930,650	1,428,226,606	1,401,970,860

The Authority actively manages its debt based on the current debt profile and market opportunity conditions as it relates to the overall operations of the Authority. Below is a summary of the more significant debt management activities during the past three years:

- In May 2009, the Authority redeemed a portion of the outstanding Series 2001 VRF bonds totaling $17.7 million and reissued the remaining balance of $19.4 million as the Series 2009 VRF current interest bonds. Additionally, the Authority had a pay-fixed interest rate swap agreement with JP Morgan (formerly known as Bear Stearns) as a hedge against the variable-rate interest on the original Series 2001 VRF bonds. The Authority chose to terminate that swap agreement by paying $2.5 million from the unrestricted General Surplus account and was recorded as part of interest expense in fiscal year 2009.
- In October 2010, the Authority purchased, through a tender invitation, a portion of the Series 1997B capital appreciation bonds and a portion of the Subseries 2007A-2 to D-2 fixed-rate term bonds totaling approximately $90.2 million plus a 1% premium. At the same time, the Authority issued the Series 2010 bonds totaling approximately $103.5 million to purchase the portions of the Series 1997B and 2007A-2 to D-2 bonds, as well as pay the cost of issuance (approximately $1.8 million) and partial swap termination settlements on the 2007 bond-related interest rate swaps netting to $13.6 million. The Authority contributed $10 million from the unrestricted General Surplus account plus $3.6 million in bond proceeds to pay for the swap termination settlements. The purpose of the tender was to restructure debt service.
- Also during 2010 and continuing in 2011, the Authority implemented Governmental Accounting Standards GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for financial statements for periods beginning after June 15, 2009. The standard included new requirements related to the determination of hedging derivative instruments and the application of accounting and recordation of derivative instruments within the financial statements at fiscal year-end. This standard is applicable to the Authority due to the two 2007 pay-fixed interest rate swaps and the two 2008 offsetting receive-fixed interest rate swaps, all of which were originally related only to the Series 2007 Series bonds. The swaps in total now relate to the Series 2007, 2010 and 2011 bonds. All four swaps were determined to be investment derivatives as of December 31, 2011 and 2010 with a net liability fair value of $61.5 million and $31.0 million, respectively, and derivative instruments (investment) loss of $30.4 million and $17.1 million (which includes the net $13.6 million of swap termination payments in 2010), respectively. The standard also impacted the Authority's treatment and accounting of the fair market values of the two 2007 pay-fixed interest rate swaps on the date of remarketing the 2007 bonds. From June 2007 to May 2008, the two 2007 swaps were effectively hedging interest rate risk on the 2007 bonds. At the date of remarketing the 2007 bonds from auction-rate bonds to fixed and term–rate bonds (May 2008), the fair value of the two 2007 swaps was deferred as a component of revenue bonds payable (2008 deferred refunding) and amortized through interest expense in 2011 and 2010. The 2008 deferred refunding balance was $16.6 million and $17.5 million as of December 31, 2011 and 2010, respectively.
- In early September 2011, the Authority successfully refunded the remaining portions of the Series 2007A-2 and 2007B-2 fixed-rate term bonds totaling $72.6 million with the Series 2011A SIFMA Index Term Rate Bonds. The Series 2011A bonds are subject to optional redemption on or after March 1, 2014 with a mandatory tender and remarketing date of September 1, 2014. The Authority pays interest on the bonds each month based on the previous months' final SIFMA market pricing plus 272 basis points (2.72%). Portions of the Authority's two 2007 pay-fixed interest rate swaps, which are based on 67% of

the London Interbank Offered Rate (LIBOR), have outstanding notional amounts from 2026 to 2039 related to the outstanding Series 2011A bonds maturities during the same period; thus, the Authority takes on basis risk between SIFMA and LIBOR as long as the Series 2011A bonds are outstanding. However, the swap relationship did not meet the requirements of a hedging derivative instrument and continued to be recorded as an investment derivative as of December 31, 2011.

As of December 31, 2011, the underlying senior bond ratings of the Authority remained consistent with prior year by all three major rating agencies: Moody's, Standard & Poor's, and Fitch. These ratings were all reaffirmed by the rating agencies prior to the debt refunding of the Series 2011A bonds in August 2011. Fitch changed their outlook from negative in prior year to stable in 2011 based on the improved traffic and revenue trends.

Ratings and Outlook as of December 31, 2011:

	Rating	Outlook
Rating agency:		
Moody's	Baa2	Negative
Standard & Poor's	BBB-	Stable
Fitch	BBB-	Stable

Loans

		2011	2010	2009
Local member jurisdictions (Douglas County)	$	2,166,924	2,407,693	2,407,693
Total	$	2,166,924	2,407,693	2,407,693

The Authority received contributed funds from Douglas County in 2003 for costs of the Jamaica Road interchange ramp construction. The agreement includes the remaining outstanding balance of $2.4 million to be repaid to Douglas County in ten equal payments (noninterest-bearing) starting in 2011. The first payment of $240,769 was made in January 2011.

Budget Results

The Authority is required under state law and board resolutions to prepare an annual budget of operating and capital costs expected as well as debt service due in the upcoming year to be approved by the Authority's board of directors before such year begins. The original approved budget by the board of directors generally is not adjusted and is considered the final budget by the Authority. Appropriations generally do not carry over to future periods, and overall net outlay overages need to be approved by the board. The budget is recorded on the Authority's budget basis and may not reconcile to the basic financial statements. Refer to the Supplementary Information – Revenue Covenant section for reconciliation to the basic financial statements for operating balances and senior debt service due. Further, toll revenue budgeted amounts by management may differ from the traffic and revenue consultant's forecasts.

The following is a summary of the Authority's final 2011 operating and capital budget compared to the actual results as of and for the year ended December 31, 2011:

		2011 Budget	2011 Results	Variance	Percentage variance
Total operating revenues	$	127,007,000	128,042,821	1,035,821	0.8%
Total operating expenses		(27,804,400)	(25,529,628)	2,274,772	(8.2)
Net operating income		99,202,600	102,513,193	3,310,593	3.3
Senior debt service due		(65,162,667)	(65,099,797)	62,870	(0.1)
Debt service coverage	$	1.52	1.57	0.05	3.3%
Capital and renewal and replacement costs	$	(14,322,300)	(9,287,072)	5,035,228	(35.2)%

During 2011, total operating revenues ended $1.0 million or 0.8% over budget. This is mainly due to toll operations revenues (tolls and toll violation-related revenues) ending over budget by $2.4 million, offset by investment income ending under budget by $1.3 million due to decreased returns on investments from the current interest rate environment. Total operating expenses ended $2.3 million or 8.2% under budget which is mainly attributable to the lower than expected seasonal snow fall and related snow removal costs. Senior debt service due was on budget and does not include VRF debt service, as the annual principal and interest due on the related Series 2009 bonds were paid from the General Surplus account, which is excluded from the debt service coverage ratio based on the Bond Resolutions. These final budget results led to an improved debt service coverage ratio of 1.57, which is higher than the original budgeted ratio of 1.52.

Capital and renewal and replacement costs, which are excluded from the debt service coverage ratio as specified in the Bond Resolutions and fully paid from surplus funds, were $5.0 million or 35.2% under budget. This is mainly due to two projects – transponder replacement and the 5.9-mile Segment IV resurfacing project from 120th Avenue to the northern most toll plaza. Transponder replacement costs ended under budget by $1.0 million because of the new EXpressToll 6c sticker tags issued beginning in September 2011, which are significantly less expensive than the older Title 21 transponders. The Segment IV resurfacing project was completed during the fall of 2011 and was under budget by $1.9 million.

The following is a summary of the Authority's final 2010 operating and capital budget compared to the actual results as of and for the year ended December 31, 2010:

	2010 Budget	2010 Results	Variance	Percentage variance
Total operating revenues	$ 123,227,000	116,342,777	(6,884,223)	(5.6)%
Total operating expenses	(29,104,700)	(27,369,509)	1,735,191	(6.0)
Net operating income	94,122,300	88,973,268	(5,149,032)	(5.5)
Senior debt service due	(70,480,982)	(64,055,245)	6,425,737	(9.1)
Debt service coverage	$ 1.34	1.39	0.05	3.7%
Capital and renewal and replacement costs	$ (12,819,100)	(6,963,093)	5,856,007	(45.7)%

During 2010, total operating revenues ended $6.9 million or 5.6% under budget. This is mainly due to toll operations revenues ending under budget by $6.4 million. The 2010 budget for toll revenues, net was originally estimated in the middle of 2009, which was the first year the Authority went completely "cashless" with LPT billing, and had a limited history to analyze uncollectible tolls at the time of the budget estimate. Total operating expenses ended $1.7 million or 6.0% under budget, which is attributable to the lower than expected seasonal snow fall and the related snow removal costs. Senior debt service due was under budget by $6.4 million or 9.1% due to initial debt service savings from the 2010 tender transaction, and did include the March 1st interest payment on the VRF 2009 bonds while the September 1st principal and interest were paid from the General Surplus account, and thus are excluded from the debt service coverage ratio based on the Bond Resolutions. These final budget results led to an improved debt service coverage ratio of 1.39, which is higher than the budgeted ratio of 1.34.

Capital and renewal and replacement costs, which were fully paid from surplus funds, were $5.9 million or 45.7% under budget. This is mainly due to two projects – median cable barrier and the Segment IV resurfacing project from the northern most toll plaza to I-25 North. The median cable barrier project costs ended under budget by $0.7 million, and the Segment IV resurfacing project was substantially completed during the fall of 2010 and was under budget by $4.0 million.

Economic Factors

Estimates by the Authority's traffic and revenue consultant are shown against actual toll revenue, net for 2011, 2010, and 2009 in the following tables. The Authority has hired CDM Smith (formerly known as Wilbur Smith Associates) to conduct numerous investment–grade traffic and revenue studies and updated reviews over the years based on economic conditions and bond refunding transactions. The last full traffic and revenue study was completed in 2008 in conjunction with the remarketing of the Series 2007 Bonds. The 2008 study future forecasts were updated and revised in 2009 and 2010 with the issuance of the Series 2009 bonds and Series 2010 bonds, respectively, and again in 2011 with the issuance of the Series 2011 bonds. The toll forecasts may differ from the Authority's budget, and only include the toll revenue net of related bad debt expense, which excludes the Authority's toll violation-related revenue during the period. Those updated toll traffic and toll revenue, net forecasts are summarized below.

Transactions (Annual Total)

Year	Forecast	Actual	Variance	Percentage variance
2009 (Revised April 2009)	48,942,000	47,972,713	(969,287)	(1.98)%
2010 (Revised September 2010)	50,635,000	51,297,941	662,941	1.31
2011 (Revised July 2011)	52,822,000	52,086,920	(735,080)	(1.39)

Toll Revenues, Net (Annual Total)

Year	Forecast	Actual	Variance	Percentage variance
2009 (Revised April 2009)	96,920,300	92,442,683	(4,477,617)	(4.62)%
2010 (Revised September 2010)	95,720,000	94,309,891	(1,410,109)	(1.47)
2011 (Revised July 2011)	108,871,000	107,722,486	(1,148,514)	(1.05)

Reserves Management

Pursuant to the Bond Resolutions, the Authority is required to maintain a Senior Bonds Debt Service Reserve Fund and an Operating Reserve Fund. In addition, a General Surplus account is maintained in accordance with the Bond Resolutions. The General Surplus account is unrestricted and is currently divided into three subaccount funds for administrative purposes: the Senior Bonds Defeasance Fund, the Capital Improvements Fund, and the Rainy Day Fund. At December 31, 2011, all required and restricted reserves were fully funded as specified by the Bond Resolutions.

Intergovernmental Tolling Services

The Authority has entered into a series of intergovernmental agreements with the Northwest Parkway LLC and High Performance Transportation Enterprise (HPTE), a division of the Colorado Department of Transportation, to provide certain electronic toll collection back office services. These agreements provide economies of scale for toll collection costs and seamless interoperability for customers on Colorado toll facilities. As part of the agreements, the Authority collects electronic tolls for the two tolling facilities and transfers the funds daily to the Northwest Parkway LLC (EXpressToll only) and to HPTE (EXpressToll, LPT, and other fees) for transactions that occurred on their highways for the previous day(s). These electronic tolls collected and transferred on behalf of other entities are not included in the basic financial statements.

Future Management Plans

During 2012, the Authority will be assessing whether it will replace the existing back office function of the toll collection system or make improvements to the current system. With the assistance of a consultant, a request for proposal (RFP) will be developed based on Authority requirements. The decision to evaluate this system was based on management's and the board of director's decision to ensure the system can take the Authority into the future. Also, the Authority will continue to work with HPTE to develop and implement interoperable toll facilities in Colorado as the use of tolls to fund transportation needs in the state increases. On the E-470 toll road, the reconstruction of approximately 2.5 miles will be completed between toll plaza A and Parker Road in Douglas County. This location is the oldest section of the toll road, and is the second phase of reconstruction of the road base (first phase was completed in 2009 from I-25 South to toll plaza A). There are no plans to issue any new debt or refund any existing debt during 2012.

Contacting E-470's Financial Management

This financial report is designed to provide overview information to the Authority's bondholders, customers, and other interested parties. Should you have any questions about this report, contact the E-470 Public Highway Authority's Director of Finance, at 22470 E. 6th Parkway, Aurora, Colorado 80018.

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

Independent Auditors' Report

The Board of Directors
E-470 Public Highway Authority:

We have audited the accompanying basic financial statements of the E-470 Public Highway Authority (the Authority) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the E-470 Public Highway Authority as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information – revenue covenant is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

April 19, 2012

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Net Deficit

December 31, 2011 and 2010

Assets		**2011**	**2010**
Current assets:			
Unrestricted cash and cash equivalents	$	14,401,107	16,653,405
Unrestricted investments		50,395,325	45,057,999
Restricted cash and cash equivalents for debt service		22,575,553	22,303,264
Restricted investments for debt service		14,257,661	20,220,405
Restricted cash and cash equivalents for construction		300,014	—
Total current cash and cash equivalents and investments		101,929,660	104,235,073
Accounts receivable, net		10,166,378	6,920,509
Accrued interest receivable		1,850,160	1,891,564
Prepaid expenses		372,737	322,637
Derivative instruments		408,424	555,706
Total current assets		114,727,359	113,925,489
Noncurrent assets:			
Unrestricted investments		75,671,418	68,524,874
Restricted cash and cash equivalents for debt service		18,501,265	21,992,911
Restricted investments for debt service		103,140,732	76,920,981
Total noncurrent cash and cash equivalents and investments		197,313,415	167,438,766
Capital assets (net of accumulated depreciation of $374,902,063 in 2011 and $346,823,149 in 2010)		692,125,889	722,770,401
Bond issuance costs (net of accumulated amortization of $31,081,634 in 2011 and $28,695,489 in 2010)		37,339,600	40,398,615
Derivative instruments		18,958,476	10,149,220
Total noncurrent assets		945,737,380	940,757,002
Total assets	$	1,060,464,739	1,054,682,491
Liabilities and Net Deficit			
Current liabilities:			
Accounts payable	$	2,897,807	4,567,715
Unearned toll revenue		9,952,639	6,951,081
Accrued expenses		375,754	437,455
Notes payable		240,769	240,769
Revenue bonds payable (including accumulated accretion on capital appreciation bonds of $21,514,769 in 2011 and $16,505,122 in 2010)		48,510,000	39,885,000
Accrued interest payable		7,844,632	8,005,775
Derivative instruments		705,560	732,454
Total current liabilities		70,527,161	60,820,249
Noncurrent liabilities:			
Revenue bonds payable, net of current portion (including accumulated accretion on capital appreciation bonds of $464,808,565 in 2011 and $431,383,683 in 2010)		1,405,420,650	1,388,341,606
Derivative instruments		80,111,561	40,984,046
Notes payable, net of current portion		1,926,155	2,166,924
Deferred revenue and other noncurrent liabilities		424,701	505,905
Total noncurrent liabilities		1,487,883,067	1,431,998,481
Total liabilities		1,558,410,228	1,492,818,730
Net deficit:			
Invested in capital assets, net of related debt		(154,720,602)	(134,983,088)
Restricted		43,827,676	32,281,071
Unrestricted		(387,052,563)	(335,434,222)
Total net deficit		(497,945,489)	(438,136,239)
Commitments and contingencies (notes 6, 7, 10, 11 and 12)			
Total liabilities and net deficit	$	1,060,464,739	1,054,682,491

See accompanying notes to basic financial statements.

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Deficit

Years ended December 31, 2011 and 2010

	2011	2010
Operating revenue – toll operations	$ 111,362,630	99,001,315
Operating expenses:		
Toll road operations	22,079,768	26,747,549
Salaries and benefits	5,002,306	4,958,936
General and administrative	2,174,464	2,075,209
Total operating expenses before depreciation expense	29,256,538	33,781,694
Depreciation expense	33,868,940	33,853,332
Total operating expenses	63,125,478	67,635,026
Operating income	48,237,152	31,366,289
Nonoperating revenue (expenses):		
Vehicle registration fees	8,767,892	8,646,549
Interest expense	(97,668,699)	(95,419,612)
Investment revenues (loss):		
Investment income	11,574,839	10,840,867
Loss on derivative instruments	(30,438,648)	(17,118,480)
Other income (loss)	(281,786)	1,615,570
Total nonoperating revenues (expenses)	(108,046,402)	(91,435,106)
Change in net deficit	(59,809,250)	(60,068,817)
Net deficit, beginning of year	(438,136,239)	(378,067,422)
Net deficit, end of year	$ (497,945,489)	(438,136,239)

See accompanying notes to basic financial statements.

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts of vehicle tolls and toll violations	$ 108,867,948	98,583,891
Payments to employees	(5,064,007)	(4,958,486)
Payments to suppliers	(25,974,241)	(28,269,667)
Net cash provided by operating activities	77,829,700	65,355,738
Cash flows from capital and related financing activities:		
Payment of other noncurrent liabilities	(52,203)	(386,292)
Payment of notes payable	(240,769)	—
Purchase and construction of capital assets	(3,337,146)	(3,018,384)
Proceeds from sale of capital assets	216,842	419,674
Interest paid	(28,201,314)	(28,561,301)
Principal payments on bonds	(39,885,000)	(43,040,000)
Payment of cash to refund/tender related bond series	(72,565,000)	(97,190,464)
Proceeds from refunded/tendered bond series including discount	72,565,000	103,159,318
Payment of bond issuance costs for related bond series	(980,468)	(1,788,308)
Payment to terminate portion of interest rate swap agreements	—	(13,560,000)
Net cash used in capital and related financing activities	(72,480,058)	(83,965,757)
Cash flows from noncapital financing activities:		
Receipts of vehicle registration fees	8,745,282	8,652,163
Other receipts and contributions	1,887,070	1,789,441
Net cash provided by noncapital financing activities	10,632,352	10,441,604
Cash flows from investing activities:		
Proceeds from sales of investments	144,097,448	125,093,272
Purchase of investments	(171,582,512)	(123,212,906)
Interest received	6,331,429	7,867,320
Net cash provided by (used in) investing activities	(21,153,635)	9,747,686
Net increase (decrease) in cash and cash equivalents	(5,171,641)	1,579,271
Cash and cash equivalents, beginning of year	60,949,580	59,370,309
Cash and cash equivalents, end of year	$ 55,777,939	60,949,580
Reconciliation of cash and cash equivalents to the statements of net deficit:		
Cash and cash equivalents – current – unrestricted	$ 14,401,107	16,653,405
Cash and cash equivalents – current – restricted for debt service	22,575,553	22,303,264
Cash and cash equivalents – current – restricted for construction	300,014	—
Cash and cash equivalents – noncurrent – restricted for debt reserves	18,501,265	21,992,911
Cash and cash equivalents, end of year	$ 55,777,939	60,949,580

(Continued)

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Cash Flows

Years ended December 31, 2011 and 2010

		2011	2010
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	48,237,152	31,366,289
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		33,868,940	33,853,332
Changes in assets and liabilities:			
Accounts receivable, net (tolls and late fees)		(3,278,418)	(137,167)
Prepaid expenses		(50,101)	(30,058)
Accounts payable		(1,669,908)	583,149
Unearned toll revenue		783,736	(280,257)
Accrued expenses		(61,701)	450
Net cash provided by operating activities	$	77,829,700	65,355,738
Noncash transactions:			
Interest expense recorded due to bond accretion	$	60,323,856	58,688,261
Decrease in fair value of derivative instruments		(30,438,647)	(3,558,480)
Interest expense recorded due to amortization of deferred refunding		7,857,549	7,618,878
Increase in fair value of investments		5,742,375	4,469,883
Interest expense recorded due to amortization of bond issuance costs		2,386,145	1,876,293
Other noncash income (loss)		(2,217,822)	—
Net loss due to deferred refunding on related bond series transaction		(1,653,338)	(2,041,720)
Interest expense recorded due to amortization of net bond premiums		939,023	938,527
Investment income recorded due to amortization of investment premiums		525,065	834,316
Net gain on disposal of capital assets		104,124	43,041
Investment income recorded due to amortization of deferred revenue		29,001	37,357

See accompanying notes to basic financial statements.

(1) Financial Reporting Entity

The E-470 Authority (the First Authority) is a separate legal entity, created in February 1985, by an intergovernmental agreement among Adams County, Arapahoe County, Douglas County, and the City of Aurora. The purpose of the agreement was to plan, design, and construct the E-470 Highway (the Project). The First Authority did not have the power to incur debt; therefore, Arapahoe County (the County) issued bonds to finance the Project.

In January 1988, the E-470 Public Highway Authority (the Authority) was created by the original members of the First Authority pursuant to Colorado Revised Statutes Title 43, Article 4, Part 5. The Town of Parker, City of Thornton, City of Brighton, and City of Commerce City became participants in the Authority in 1989, 1990, 1991, and 1995, respectively. In February 1989, all rights, privileges, obligations, and liabilities of the First Authority were assigned to the Authority. In the event the Authority is ever dissolved, all rights, privileges, obligations, and liabilities will transfer back to the First Authority. As required by accounting principles generally accepted in the United States of America, the accompanying basic financial statements present the Authority and its component unit, an entity for which the Authority is considered to be financially accountable, as discussed below. The blended component unit, although a legally separate entity, is, in substance, part of the Authority's operations, and therefore, data from this component unit are combined with data of the primary government.

The First Authority is a blended component unit of the Authority; however, it currently has no assets, liabilities, or operations.

In an opinion dated May 15, 1995, the Colorado Supreme Court held that the County had relinquished any control it had over the 1986 Bonds and the alignment of the Project in February 1989 when it executed the Delegation and Substitution Agreement and amendments to the Establishing Contract to that effect. Therefore, the Authority is not a component unit of the County.

Intergovernmental Agreements with Arapahoe County, Colorado

Since its creation, the First Authority was not legally empowered to issue debt; therefore, the County authorized issuance of $722,010,000 of Capital Improvement Trust Fund Highway Revenue Bonds Series 1986A-M. The ultimate objective of this issuance was to remit the proceeds to the Authority for the construction of the Project. In the contract establishing the Authority, the County assigned to the Authority all of the County's rights and privileges with respect to the bonds, and the Authority assumed all of the County's obligations with respect to the bonds. The proceeds of the bond issue were invested and held in trust for the benefit of the owners of the bonds (until the releases as described below). The bonds were generally remarketed every six months.

In February 1989, the Authority released from escrow the Series D bonds in the amount of $63,260,000 to complete construction on the first phase of the toll road (Segment I). In consideration of the obligations assumed by the Authority and to assist the Project, the County granted to the Authority all of the County's rights to the excess investment earnings for all bond series. In addition, the Authority agreed to pay all bond administration costs with no financial obligation to the County.

(Continued)

At the August 31, 1995 remarketing of the bonds, the funds remaining were released from escrow to finance the costs associated with the design, acquisition of property, and construction of Segments II and III of the Project. Any bonds that were not remarketed were redeemed on August 31, 1995.

Due to the interrelationship between the County and the Authority in this financing arrangement, all the transactions incurred by the County relating to this financing are included in the accompanying basic financial statements as if they were incurred by the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for those operations for which the pricing policies of the entity establish fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The Authority applies all applicable pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

(b) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America involves the use of management’s estimates. These estimates are based upon management’s best judgments, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Authority considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents, which may include authorized money market mutual funds, local government investment pools, and repurchase agreements. Cash and cash equivalents may be restricted by the Trustee under the Master and Supplemental Bond Resolutions (Bond Resolutions) or other externally imposed restrictions. The basic financial statements include statements of cash flows showing cash and cash equivalents provided by and used in operating, noncapital and capital financing, and investing activities.

(d) Investments

The Authority invests its funds in accordance with the Authority’s Bond Resolutions and Colorado statutes. The Authority’s authorized investments may primarily consist of U.S. government agency securities, U.S. Treasury securities, corporate coupon securities, commercial paper, and an investment agreement. The Authority accounts for the U.S. government agency securities, U.S. Treasury securities, corporate coupon securities, and commercial paper at fair value. Fair value is determined from quotable market prices available at year-end. The investment agreement cannot be traded and, therefore, is reported using a cost-based measurement. Investments may be restricted by the Trustee under the Bond Resolutions.

(e) Accounts Receivable

The accounts receivable, net balance represents amounts due for customer tolls (License Plate Tolling (LPT) and EXpressToll) and any assessed late fees, vehicle registration fees (VRF) collected by specific counties and not yet remitted to the Authority, and other miscellaneous receivables from third parties. The Authority accrues the related revenue when earned, including whether the receivable is unpaid or unbilled at fiscal year-end. Toll receivables are reported net of allowances for uncollectible amounts. An allowance for estimated uncollectible toll receivables is recognized to reduce the gross amount of receivables to its realizable value. The allowance is estimated based on experience of collections in relation to toll operations revenues, and is calculated as the historical collection percentage multiplied by the year-end accounts receivable balance. No allowance is recorded for vehicle registration fees receivables as the amounts are fully collectible and timely remitted.

(f) Capital Assets

Capital assets have an estimated useful life in excess of one year and an initial cost greater than $5,000 for software, fixtures, and equipment; $50,000 for land improvements; $100,000 for buildings; and $500,000 for infrastructure (roadway, bridges, and ramps).

Capital assets are recorded at historical cost. Costs include not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Ancillary charges include, but are not limited to, costs such as freight and transportation charges, site preparation expenditures, professional fees, and legal expenses directly attributable to asset acquisition. Donations of capital assets represent facilities, or cash payments for facilities, received from property owners, governmental agencies, and customers. Donated capital assets are recorded at estimated fair value at the date of transfer.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Those capital assets subject to depreciation have the following useful lives:

Assets	Years
Software	3
Fixtures and equipment	5 – 10
Land improvements	20
Buildings	40
Infrastructure	30

Ongoing construction costs associated with the Authority’s toll road are capitalized as construction in progress (CIP). As construction is not yet complete, depreciation has not been recorded on these CIP costs. The Authority capitalizes interest on these assets under construction for interest costs on the tax-exempt debt used to finance the assets (if applicable), reduced by interest earned from investments acquired with the tax-exempt debt proceeds.

(g) Bond Issuance Costs and Premiums and Discounts

Bond issuance costs and bond premiums and discounts are deferred and amortized as a component of interest expense using the effective-interest method over the life of the related bonds.

(h) Revenue and Expenses

The Authority's statements of revenue, expenses, and changes in net deficit distinguish between operating and nonoperating revenue and expenses. Operating revenues – toll operations consists of vehicle tolls and any related violations assessed (late fees, civil penalties or other fees) associated with the operation of the Authority's toll road, net of related bad debt expense. The Authority recognizes toll operations revenue when earned. Advanced payments received for toll operations revenue are deferred as unearned toll revenue on the statements of net deficit and are recognized as revenue as the customers use the toll road. Operating expenses include costs incurred to provide for maintenance and administration of the toll road.

Nonoperating revenue and expenses consist of vehicle registration fees, investment income, loss on derivative instruments, interest expense on debt including accretion and interest rate swap settlement differentials, and other miscellaneous income and expenses. Vehicle registration fees are assessed by specified local counties and remitted to the Authority on a monthly basis net of related administrative costs.

(i) Net Deficit Amounts

Net deficit amounts reported in the Authority's statements of net deficit consist of three categories: net deficit invested in capital assets, net of related debt; restricted; and unrestricted. Net deficit invested in capital assets, net of related debt, consists of restricted cash for construction and all capital assets, net of accumulated depreciation, reduced by outstanding borrowings and the costs associated with those borrowings, to acquire or construct the capital assets. Restricted net assets consist of net asset amounts that contain externally imposed restrictions on their use and are not available to fund all obligations of the Authority. Unrestricted net assets (deficit) is an amount that does not meet the definition of invested in capital assets, net of related debt or restricted net assets and includes any accreted portions of revenue bonds payable. These net assets (deficit) are available to fund any obligation of the Authority. When both restricted and unrestricted net assets are available for use, the Authority generally uses unrestricted net assets first, then restricted as needed.

As of December 31, 2011 and 2010, the Authority had a total net deficit of approximately $497.9 million and $438.1 million, respectively. The Authority primarily plans to fund this net deficit with increased annual growth in toll operations revenues and other nonoperating revenues.

(j) Income Taxes

The income derived by the Authority is exempt from federal income tax under the provisions of Internal Revenue Code Section 115. Accordingly, no provision for the payment or refund of income taxes has been made in the accompanying basic financial statements.

(k) Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

(3) Cash, Cash Equivalents and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. The financial institution holding certain Authority deposit accounts are fully guaranteed by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2011 and 2010, the Authority's cash deposits had a book balance of $6.9 million and $8.0 million, respectively, and a corresponding bank balance of $7.0 million and $8.7 million, respectively. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks.

As of December 31, 2011 and 2010, the Authority's book balances are classified as follows:

	2011		
	Deposits	Cash equivalents and investments	Total
Restricted cash and cash equivalents by trustee under the bond resolutions	$ —	41,076,818	41,076,818
Restricted cash and cash equivalents for construction	—	300,014	300,014
Unrestricted cash and cash equivalents – undesignated	6,860,922	7,540,185	14,401,107
Restricted investments by trustee under the bond resolutions	—	117,398,393	117,398,393
Unrestricted investments – undesignated	—	126,066,743	126,066,743
	$ 6,860,922	292,382,153	299,243,075

	2010		
	Deposits	**Cash equivalents and investments**	**Total**
Restricted cash and cash equivalents by trustee under the bond resolutions	$ —	44,296,175	44,296,175
Unrestricted cash and cash equivalents – undesignated	7,953,751	8,699,654	16,653,405
Restricted investments by trustee under the bond resolutions	—	97,141,386	97,141,386
Unrestricted investments – undesignated	—	113,582,873	113,582,873
	$ 7,953,751	263,720,088	271,673,839

The following is a summary of the Authority's cash equivalents and investments by type at December 31, 2011 and 2010, at fair value:

	2011	**2010**
U.S. government agency	$ 180,310,632	181,473,388
U.S. Treasury securities	50,934,833	14,502,938
Money market mutual fund	47,094,911	51,544,866
Investment agreement	8,471,273	8,471,273
Commercial paper	5,011,014	1,671,741
Repurchase agreements	559,490	259,476
Corporate coupon securities	—	4,604,919
Local government investment pool	—	1,191,487
	$ 292,382,153	263,720,088

(a) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policies regarding credit risk comply with Colorado statutes (CRS 24-75-601) and the Bond Resolutions. Colorado statutes specify the following investment instruments that meet defined rating and risk criteria in which local government entities may invest:

- Obligations of the United States and certain U.S. government agency securities
- Bonds of certain Colorado government entities
- Bankers' acceptances of certain banks
- Commercial paper with a certain rating
- Repurchase agreements
- Certain money market mutual funds
- Local government investment pools
- Certain investment agreements

The Authority may invest or deposit any funds in the manner provided by law for political subdivisions of the state. In addition, the Authority may direct a corporate trustee, which holds funds of the Authority to invest or deposit such funds in investments or deposits other than those specified by law for political subdivisions of the state if the board of directors determines, by resolution, that (1) such investment or deposit meets the standard established in the Colorado revised statutes, (2) the income is at least comparable to income available on investments or deposits specified by law for political subdivisions of the state, and (3) such investments will assist the Authority in the financing, construction, maintenance, or operation of public highways.

The following is a summary of the Authority's cash equivalents and investments at December 31, 2011 with credit ratings based on the Standard & Poor's and Moody's ratings scale:

	2011	
	Fair value	**Rating**
U.S. government agency:		
Federal Farm Credit Banks (FFCB)	$ 1,546,538	AA+/Aaa
Federal Home Loan Banks (FHLB)	24,391,515	AA+/Aaa
Federal Home Loan Mortgage Corporation (FHLMC)	37,418,616	AA+/Aaa
Federal National Mortgage Association (FNMA)	54,568,706	AA+/Aaa
International Bank for Reconstruction and Development	55,937,045	AAA/Aaa
Student Loan Marketing Association Discount Note	6,448,212	Not rated/Aaa
Total U.S. government agency	180,310,632	
U.S. Treasury securities:		
U.S. Treasury notes	25,390,141	Not applicable
U.S. Treasury bills	25,544,692	Not applicable
Total U.S. Treasury securities	50,934,833	
Money market mutual fund:		
First American Prime Obligations Fund	47,094,911	AAAm/Aaa-mf
Investment agreement:		
Societe Generale	8,471,273	A+/Aa3
Commercial paper:		
Kells Funding LLC	2,499,725	A-1+/P-1
GE Capital	1,248,673	A-1+/P-1
Golden Funding Corp.	1,262,616	A-1/P-1
Total commercial paper	5,011,014	
Repurchase agreements	559,490	N/A
Total cash equivalents and investments	$ 292,382,153	

U.S. Treasury notes and bills are guaranteed by the U.S. federal government and are, therefore, not subject to credit risk.

The following is a summary of the Authority's cash equivalents and investments at December 31, 2010 with credit ratings based on the Standard & Poor's and Moody's ratings scale:

	2010	
	Fair value	**Rating**
U.S. government agency:		
Federal Farm Credit Banks (FFCB)	$ 7,948,942	AAA/Aaa
Federal Home Loan Banks (FHLB)	31,079,121	AAA/Aaa
Federal Home Loan Mortgage Corporation (FHLMC)	38,751,097	AAA/Aaa
Federal National Mortgage Association (FNMA)	45,389,698	AAA/Aaa
International Bank for Reconstruction and Development	53,217,000	AAA/Aaa
Student Loan Marketing Association Discount Note	5,087,530	Not rated/Aaa
Total U.S. government agency	181,473,388	
U.S. Treasury securities:		
U.S. Treasury notes	4,823,517	Not applicable
U.S. Treasury bills	9,679,421	Not applicable
Total U.S. Treasury securities	14,502,938	
Money market mutual fund:		
First American Prime Obligations Fund	51,544,866	AAAm/Aaa-mf
Investment agreement:		
Societe Generale	8,471,273	A+/AA2
Corporate coupon securities:		
Morgan Stanley (FDIC guaranteed)	2,041,356	AAA/Aaa
American Express Bank (FDIC guaranteed)	2,563,563	AAA/Aaa
Total corporate coupon securities	4,604,919	
Commercial paper:		
Societe Generale N America	999,424	A-1/P-1
UBS Finance	672,317	A-1/P-1
Total commercial paper	1,671,741	
Local government investment pool:		
COLOTrust Prime	1,191,487	AAAm/Not rated
Repurchase agreement	259,476	N/A
Total cash equivalents and investments	$ 263,720,088	

U.S. Treasury notes and bills are guaranteed by the U.S. federal government and are, therefore, not subject to credit risk.

(Continued)

(b) Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to change in the level of interest rates. The Authority currently employs two professional money management firms to manage its investments. The funds are all "laddered" so that investments do not mature all at once, and are in compliance with the Colorado statutes and Bond Resolutions. Additionally, 65% and 70% of the cash equivalents and investments have maturities of three years or less at December 31, 2011 and 2010, respectively.

(c) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority has no custodial credit risk as all securities are registered in the name of the Authority and held by a third-party safekeeping agent. All deposits are covered by depository insurance. Investments in money market mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

(d) Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. As of December 31, 2011 and 2010, more than 61.7% and 68.8%, respectively, of the Authority's cash equivalents and investments are in U.S. government agency investments that are not fully backed by the full faith and credit of the federal government. The investments include FFCB, FHLB, FHLMC, FNMA, International Bank for Reconstruction and Development, and Student Loan Marketing Association investments.

As of December 31, 2011, the Authority held the following cash equivalents and investments:

	Fair value	Less than one year	Between one and two years	Between two and three years	Greater than three years
U.S. government agency	$ 180,310,632	34,308,503	27,562,935	36,595,223	81,843,971
U.S. Treasury securities	50,934,833	26,596,086	11,885,722	—	12,453,025
Money market mutual fund	47,094,911	47,094,911	—	—	—
Investment agreement	8,471,273	—	—	—	8,471,273
Commercial paper	5,011,014	5,011,014	—	—	—
Repurchase agreements	559,490	559,490	—	—	—
Total cash equivalents and investments	$ 292,382,153	113,570,004	39,448,657	36,595,223	102,768,269

Because the money market mutual fund has a weighted average maturity less than three months as of December 31, 2011, the funds are presented as cash equivalents with maturity of less than one year.

As of December 31, 2010, the Authority held the following cash equivalents and investments:

	Fair value	Less than one year	Between one and two years	Between two and three years	Greater than three years
U.S. government agency	$ 181,473,388	39,125,001	27,936,356	34,667,582	79,744,449
U.S. Treasury securities	14,502,938	13,446,827	1,056,111	—	—
Money market mutual fund	51,544,866	51,544,866	—	—	—
Investment agreement	8,471,273	8,471,273	—	—	—
Corporate coupon securities	4,604,919	2,563,563	2,041,356	—	—
Commercial paper	1,671,741	1,671,741	—	—	—
Local government investment pool	1,191,487	1,191,487	—	—	—
Repurchase agreement	259,476	259,476	—	—	—
Total cash equivalents and investments	$ 263,720,088	118,274,234	31,033,823	34,667,582	79,744,449

Because the money market mutual fund and local government investment pool had a weighted average maturity less than three months as of December 31, 2010, the funds were presented as cash equivalents with maturity of less than one year.

(e) Restricted Funds

The Authority maintains restricted accounts and funds as required per the Bond Resolutions or other externally imposed restrictions. Cash and cash equivalents and investments with balances as of December 31, 2011 and 2010 are restricted as follows:

	2011	2010
Senior Bonds Debt Service Reserve Fund	$ 106,802,902	101,150,715
Senior Bonds Debt Service Account	21,857,784	18,142,028
VRF Restricted Account	12,789,665	—
Trust Revenue Fund	10,494,933	12,942,503
Operating Reserve Fund	5,700,680	5,627,699
VRF Bonds Debt Service Account	829,247	2,430,797
Rebate Fund	—	1,030,159
Other restricted accounts	300,014	113,660
	$ 158,775,225	141,437,561

The restricted funds and accounts have been established in accordance with the Bond Resolutions or other externally imposed restrictions. The Authority maintains other restricted accounts, but do not have any funding requirements and thus have a zero balance as of December 31, 2011 and 2010. The Bond Resolutions provide, among other provisions, that certain accounting procedures be followed and certain funds and accounts be established to provide bondholders a degree of security against certain contingencies. Brief descriptions of these funds and accounts follow.

Senior Bonds Debt Service Reserve Fund – Pursuant to the Bond Resolutions, a Senior Bonds Debt Service Reserve Fund was established solely for the benefit of the holders of the Senior Bonds in the event amounts on deposit in the Senior Bonds Debt Service Account are insufficient to make such payments. As of December 31, 2011, the Senior Bonds Debt Service Reserve Fund requirement was $118.0 million, and is fully funded with a year-end balance of $131.8 million, which includes cash and cash equivalents and investments of $106.8 million together with $25.0 million available under a reserve fund surety bond provided by MBIA (see note 6(e)). Within the fund, the Authority holds numerous long-term investment securities, one of which is an investment agreement with Societe Generale. Under the agreement, among other provisions, Societe Generale pays the Authority 6.61% of the investment principal amount on a semiannual basis, and must post collateral at a specified amount if their long-term unsecured credit rating is reduced below AA- by Standard and Poor’s (S&P) or Aa3 by Moody’s. At December 31, 2011, Societe Generale was rated A+ and Aa3 by S&P and Moody’s, respectively, and thus has posted collateral in accordance with the agreement. The Authority may terminate the agreement at any time; however, Societe Generale may not terminate the agreement until final maturity in 2026.

Senior Bonds Debt Service Account – Pursuant to the Bond Resolutions, the Senior Bonds Debt Service account is funded from current year revenues in an amount equal to the aggregate senior bond debt service payable during the current fiscal year including the monthly net cash settlements paid on the Authority’s interest rate swaps. Most senior bond series’ interest due is paid semiannually on March 1st and September 1st, with outstanding senior bonds payable principal due on September 1st for the applicable bond series by the Trustee.

VRF Restricted Accounts – In March 2011, the Authority transferred $13.5 million from the General Surplus account to a separate, Authority-controlled account, which is restricted per the bond resolutions and has been approved by the board of directors. The Authority intends to pay all future debt service on the VRF bonds over the next several years by funding the VRF Debt Service account from this new account. Payments on the VRF bonds debt service are paid semiannually on March 1st and September 1st from the VRF Debt Service account by the Trustee.

Trust Revenue Fund – Except as otherwise provided in the Bond Resolutions, all revenues will be delivered to the Trustee immediately upon receipt by the Authority and will be deposited by the Trustee in the Trust Revenue Fund to be used by the Authority for the purposes of funding any other restricted accounts (including the Senior Bond Debt Service Account) and current year operating expenses.

Operating Reserve Fund – Under the provisions of the Bond Resolutions, the Operating Reserve Fund is required to be maintained in an amount equal to 1/6 of annual budgeted operating expenses, as determined by the Authority. On December 31, 2011, $5.7 million was on deposit in the

(Continued)

Operating Reserve Fund, and as of such date, the Operating Reserve Fund requirement was $4.6 million.

Rebate Fund – Moneys will be deposited into the Rebate Fund pursuant to the Resolutions and used solely for the purpose of paying amounts due to the United States of America pursuant to the Internal Revenue Code and arbitrage rebate regulations issued by the Internal Revenue Service. If the amount in the Rebate Fund is in excess of the amount required to be deposited based on the assessed arbitrage rebate liability, such excess will be transferred to the Authority. Based on the assessed arbitrage rebate liability of $0 in 2011 (see note 9), the Authority transferred all remaining funds to General Surplus account.

The unrestricted funds are available to fund any obligations of the Authority; however, the Bond Resolutions include a requirement that the General Surplus account not be reduced below $20 million unless the Authority's bond issuer, MBIA, consents to such a distribution below this level in writing. As of December 31, 2011 and 2010, the Authority held $140.5 million and $130.2 million, respectively, in unrestricted funds.

(f) Investment Income

Investment income consists of restricted and unrestricted investment earnings, fair market value adjustments as of the end of the reporting period, any associated premium or discounts, and any realized gains or losses on the investments. The Authority recognized investment income of $11.6 million and $10.8 million for the years ended December 31, 2011 and 2010, respectively. Restricted investment income was $0.2 million and $0 in 2011 and 2010, respectively, and is restricted by the Bond Resolutions or by other externally imposed restrictions. Unrestricted investment income may be earned within restricted investment accounts as long as those accounts are fully funded by year-end as required by the Bond Resolutions.

(4) Accounts Receivable

The following is a summary of accounts and tolls receivable balances and related allowance as of December 31, 2011 and 2010:

		2011	2010
Tolls receivable (billed)	$	6,983,107	4,482,549
Unbilled toll revenue		1,311,734	2,367,251
Accrued toll revenue – transactions still processing		2,140,818	1,028,309
Allowance for uncollectible tolls receivable		(1,580,361)	(2,049,760)
Late fee receivable		724,142	1,022,140
Allowance for late fee receivable		(172,949)	(722,416)
Vehicle registration fees receivable		658,968	636,357
Accounts receivable		100,919	156,079
	$	10,166,378	6,920,509

Within LPT tolls receivables, there are three stages accrued within the basic financial statements: accrued toll revenue (transactions in-process for billing); unbilled toll revenue (transactions assigned to a customer account and are waiting to be billed); and tolls receivable (transactions that have been billed to a customer and are awaiting payment). Customers are generally billed each month for all toll activity incurred during the previous month and have 30 days to pay. If the first bill is unpaid, customers will be sent a second bill with a $5 late fee assessed and have an additional 30 days to pay the outstanding tolls and fee. If still unpaid, the tolls may be remitted to a collection law firm where additional collection fees including civil penalties may be assessed. EXpressToll customers with unpaid tolls may also be remitted to the law firm for collections. Further, tolls charged to customers for LPT versus EXpressToll vary based on the approved two-tiered toll rates, which were effective beginning January 1, 2009 and continuing through 2011. Based on the outstanding tolls and related late fees in fiscal years 2011 and 2010, the Authority has approximately $1.8 million and $2.8 million, respectively, in outstanding tolls and late fee receivables at year-end that are not expected to be collected within the next fiscal year.

Vehicle registration fees are collected by Adams, Arapahoe, and Douglas Counties on behalf of the Authority based on enabling legislation. Each county collects $10 when each citizen’s car within specific address boundaries is registered annually. They withhold 5% ($0.50) per transaction as a collection fee and the remaining amount is sent to the Authority. The amount accrued as accounts receivable and included within the basic financial statements equals what has been collected by the counties for the previous month but not yet remitted to the Authority.

(5) Capital Assets

A summary of changes in capital assets for the year ended December 31, 2011 is as follows:

	Balance at January 1, 2011	Increases	Decreases	Transfers	Balance at December 31, 2011
Capital assets not being depreciated:					
Land	$ 110,950,817	—	(92,653)	—	110,858,164
Construction in progress	413,219	3,285,763	(20,352)	(2,971,726)	706,904
Total capital assets not being depreciated	111,364,036	3,285,763	(113,005)	(2,971,726)	111,565,068
Depreciable capital assets:					
Infrastructure	899,707,002	—	(592,042)	—	899,114,960
Buildings	17,890,696	282,619	—	—	18,173,315
Equipment	25,672,725	1,778,598	(2,384,822)	—	25,066,501
Software, fixtures, improvements, and other assets	14,959,091	982,244	(2,833,227)	—	13,108,108
Total depreciable capital assets	958,229,514	3,043,461	(5,810,091)	—	955,462,884
Less accumulated depreciation for:					
Infrastructure	(312,769,611)	(30,134,641)	592,041	—	(342,312,211)
Buildings	(6,096,304)	(497,497)	—	—	(6,593,801)
Equipment	(15,527,051)	(2,044,556)	2,364,757	—	(15,206,850)
Software, fixtures, improvements, and other assets	(12,430,183)	(1,192,246)	2,833,228	—	(10,789,201)
Total accumulated depreciation	(346,823,149)	(33,868,940)	5,790,026	—	(374,902,063)
Depreciable capital assets, net	611,406,365	(30,825,479)	(20,065)	—	580,560,821
Total capital assets, net	$ 722,770,401	(27,539,716)	(133,070)	(2,971,726)	692,125,889

A summary of changes in capital assets for the year ended December 31, 2010 is as follows:

	Balance at January 1, 2010	Increases	Decreases	Transfers	Balance at December 31, 2010
Capital assets not being depreciated:					
Land	$ 111,327,451	—	(376,634)	—	110,950,817
Construction in progress	924,350	3,013,610	—	(3,524,741)	413,219
Total capital assets not being depreciated	112,251,801	3,013,610	(376,634)	(3,524,741)	111,364,036
Depreciable capital assets:					
Infrastructure	899,703,738	3,264	—	—	899,707,002
Buildings	17,890,696	—	—	—	17,890,696
Equipment	22,817,697	2,880,172	(25,144)	—	25,672,725
Software, fixtures, improvements, and other assets	14,313,004	646,087	—	—	14,959,091
Total depreciable capital assets	954,725,135	3,529,523	(25,144)	—	958,229,514
Less accumulated depreciation for:					
Infrastructure	(282,632,208)	(30,137,403)	—	—	(312,769,611)
Buildings	(5,602,738)	(493,566)	—	—	(6,096,304)
Equipment	(13,729,257)	(1,822,938)	25,144	—	(15,527,051)
Software, fixtures, improvements, and other assets	(11,030,751)	(1,399,432)	—	—	(12,430,183)
Total accumulated depreciation	(312,994,954)	(33,853,339)	25,144	—	(346,823,149)
Depreciable capital assets, net	641,730,181	(30,323,816)	—	—	611,406,365
Total capital assets, net	$ 753,981,982	(27,310,206)	(376,634)	(3,524,741)	722,770,401

(6) Revenue Bonds Payable

Revenue bonds payable include VRF bonds, current interest bonds (CIB), capital appreciation bonds (CAB), and SIFMA index bonds, consisting of new issue and refunding bonds of the Authority. The Authority is committed to repay the bonds and related interest from its revenues and restricted investments. Interest rates for the revenue bonds outstanding at December 31, 2011 and 2010 ranged from 3.00% to 5.75%. The average outstanding coupon (interest) rate on all outstanding current interest bonds was 4.68% and 4.48% for the years ended December 31, 2011 and 2010, respectively. Most bond series' interest due is paid semiannually on March 1st and September 1st, with outstanding revenue bonds payable principal due on September 1st for applicable bond series. Only the Series 2011A SIFMA index bonds accrue and pay interest monthly based on the variable SIFMA index plus 2.72%.

The Bond Resolutions require that the Authority maintain a Revenue Covenant (also referred to as the debt service coverage ratio) of at least 1.30 times the aggregate debt service due for the year. For the years ended December 31, 2011 and 2010, the Authority exceeded the required debt service coverage ratio of 1.30. Refer to the supplementary information section for the 2011 debt service coverage ratio.

The following is a summary of the revenue bonds payable by bond series and type as of December 31, 2011:

Bonds outstanding	Original principal amount	Refunded series (if applicable)	Current maturity dates (1)	Current interest rate/yield ranges	Annual principal/ maturity due ranges
Series 1997 A CIB	$ 441,600,000	1986 Bonds	2012 – 2014	5.75%	$ 6,455,000 – 14,700,000
Series 1997 B CAB	342,217,730	1986 Bonds	2011 – 2026	5.10% – 5.52%	32,180,000 – 44,800,000
Series 2000 B CAB	252,848,750	—	2018 – 2033	6.14% – 6.35%	31,100,000 – 104,200,000
Series 2004 A CAB	76,484,624	2000 B CAB (partial)	2027 – 2036	5.33% – 5.46%	78,425,000 – 78,500,000
Series 2004 B CAB	70,705,810	2000 B CAB (partial)	2027 – 2036	5.60% – 5.72%	23,300,000 – 49,075,000
Series 2004 C CIB (2)	16,680,798	2000 B CAB (partial)	2016 – 2017	5.00%	7,065,000 – 15,000,000
Series 2006 A CIB	53,755,000	2000 A CIB	2014 – 2018	5.00%	2,660,000 – 5,760,000
Series 2006 B CAB	56,932,723	2000 A CIB	2035 – 2039	5.06% – 5.08%	60,000,000 – 70,720,000
Series 2007 A-1 CIB	53,325,000	1997 A CIB (partial)	2011 – 2024	4.00% – 5.50%	75,000 – 5,575,000
Series 2007 B-1 CIB	53,325,000	1997 A CIB (partial)	2011 – 2024	4.00% – 5.50%	75,000 – 5,575,000
Series 2007 C-1 CIB	53,325,000	1997 A CIB (partial)	2011 – 2024	4.00% – 5.50%	75,000 – 5,575,000
Series 2007 C-2 CIB	52,200,000	1997 A CIB (partial)	2037 – 2039	5.00%	7,125,000 – 11,125,000
Series 2007 D-1 CIB	53,370,000	1997 A CIB (partial)	2011 – 2024	4.00% – 5.50%	75,000 – 5,580,000
Series 2007 D-2 CIB	52,165,000	1997 A CIB (partial)	2026 – 2039	5.00%	5,115,000 – 11,085,000
VRF 2009 CIB	19,365,000	2001 VRF Bonds	2011 – 2018	3.00% – 5.00%	1,395,000 – 2,300,000
Series 2010 A CAB	21,834,746	1997B CAB (partial)	2035 – 2041	7.08% – 7.13%	7,860,000 – 52,385,000
Series 2010 C CIB	81,655,000	2007A-2-D-2 (partial)	2025 – 2026	5.25% – 5.375%	24,180,000 – 57,475,000
Series 2011 A SIFMA	72,565,000	2007A-2 & B-2	2026 – 2039	SIFMA + 272bps	13,515,000 – 22,250,000

(1) The current maturity dates include a range, but do not indicate that there are maturities every year within the range.
(2) The Series 2004C CAB bonds were converted to CIB on September 1, 2011 with $22.1 million in outstanding principal.

The following is an analysis of changes in revenue bonds payable and associated premiums, discounts, and refunding amounts for the year ended December 31, 2011:

	Balance at January 1, 2011	Additions	Reductions	Balance at December 31, 2011	Due within one year
Series 1997A CIB	$ 32,520,000	—	—	32,520,000	6,455,000
Premium 1997A CIB	460,038	—	226,140	233,898	—
Series 1997B CAB (Principal)	219,549,050	—	15,674,878	203,874,172	18,280,231
Series 1997B CAB (Accretion)	228,467,460	24,040,587	16,505,122	236,002,925	21,514,769
Deferred refunding 1997	(31,321,863)	2,000,985	—	(29,320,878)	—
Series 2000B CAB (Principal)	154,024,296	—	—	154,024,296	—
Series 2000B CAB (Accretion)	143,386,654	18,968,131	—	162,354,785	—
Series 2004A CAB (Principal)	76,484,624	—	—	76,484,624	—
Series 2004A CAB (Accretion)	28,959,137	5,770,170	—	34,729,307	—
Series 2004B CAB (Principal)	70,705,810	—	—	70,705,810	—
Series 2004B CAB (Accretion)	28,406,594	5,712,353	—	34,118,947	—
Senior CAB 2004C (Principal)	16,680,798*	—	16,680,798	—	—
Senior CAB 2004C (Accretion)	4,778,799*	605,403	5,384,202	—	—
Series 2004C Converted CIB	—*	22,065,000	—	22,065,000	—
Deferred refunding 2004	(27,456,494)	1,090,987	—	(26,365,507)	—
Premium Series 2004	557,826	—	17,278	540,548	—
Series 2006A CIB	24,105,000	—	—	24,105,000	—
Premium 2006A CIB	962,700	—	182,386	780,314	—
Series 2006B CAB (Principal)	56,932,723	—	—	56,932,723	—
Series 2006B CAB (Accretion)	13,611,005	3,623,740	—	17,234,745	—
Deferred refunding 2006	(7,943,346)	322,028	—	(7,621,318)	—
Series 2007 A-1 CIB	50,975,000	—	1,450,000	49,525,000	75,000
Series 2007 A-2 CIB	47,500,000	—	47,500,000	—	—
Series 2007 B-1 CIB	50,975,000	—	1,450,000	49,525,000	75,000
Series 2007 B-2 CIB	25,065,000	—	25,065,000	—	—
Series 2007 C-1 CIB	50,975,000	—	1,450,000	49,525,000	75,000
Series 2007 C-2 CIB	28,925,000	—	—	28,925,000	—
Series 2007 D-1 CIB	51,010,000	—	1,475,000	49,535,000	75,000
Series 2007 D-2 CIB	37,150,000	—	—	37,150,000	—
Premium 2007 A1-D1 CIB	3,217,409	—	381,053	2,836,356	—
Discount 2007 A1-D1 CIB	(91,064)	10,785	—	(80,279)	—
Premium 2007 A2-D2 CIB	1,660,883	—	896,962	763,921	—
Deferred refunding 2007	(38,248,459)	10,161,677	—	(28,086,782)	—
Deferred refunding 2008	(17,455,302)	877,546	—	(16,577,756)	—
Series VRF 2009 CIB	16,035,000	—	1,880,000	14,155,000	1,960,000
Premium VRF 2009 CIB	460,350	—	117,126	343,224	—
Series 2010A CAB (Principal)	21,834,746	—	—	21,834,746	—
Series 2010A CAB (Accretion)	279,156	1,603,469	—	1,882,625	—
Series 2010C CIB	81,655,000	—	—	81,655,000	—
Discount 2010C CIB	(326,669)	22,217	—	(304,452)	—
Deferred refunding 2010	(17,240,255)	1,101,387	—	(16,138,868)	—
Series 2011A SIFMA Notes	—	72,565,000	—	72,565,000	—
Deferred refunding 2011	—	191,008	8,692,484	(8,501,476)	—
Total	$ 1,428,226,606	170,732,473	145,028,429	1,453,930,650	48,510,000

* The 2004C CAB bonds were converted to CIB bonds on September 1, 2011.

The following is an analysis of changes in revenue bonds payable and associated premiums, discounts, and refunding amounts for the year ended December 31, 2010:

	Balance at January 1, 2010	Additions	Reductions	Balance at December 31, 2010	Due within one year
Series 1997A CIB	$ 32,520,000	—	—	32,520,000	—
Premium 1997A CIB	607,076	—	147,038	460,038	—
Series 1997B CAB (Principal)	248,952,430	—	29,403,380	219,549,050	15,674,878
Series 1997B CAB (Accretion)	230,945,644	25,381,888	27,860,072	228,467,460	16,505,122
Deferred refunding 1997	(34,726,288)	3,404,425	—	(31,321,863)	—
Series 2000B CAB (Principal)	154,024,296	—	—	154,024,296	—
Series 2000B CAB (Accretion)	125,556,718	17,829,936	—	143,386,654	—
Series 2004A CAB (Principal)	76,484,624	—	—	76,484,624	—
Series 2004A CAB (Accretion)	23,488,293	5,470,844	—	28,959,137	—
Series 2004B CAB (Principal)	70,705,810	—	—	70,705,810	—
Series 2004B CAB (Accretion)	23,005,416	5,401,178	—	28,406,594	—
Senior CAB 2004C (Principal)	16,680,798	—	—	16,680,798	—
Senior CAB 2004C (Accretion)	3,900,190	878,609	—	4,778,799	—
Deferred refunding 2004	(28,547,480)	1,090,986	—	(27,456,494)	—
Premium Series 2004	574,228	—	16,402	557,826	—
Series 2006A CIB	24,105,000	—	—	24,105,000	—
Premium 2006A CIB	1,145,085	—	182,385	962,700	—
Series 2006B CAB (Principal)	56,932,723	—	—	56,932,723	—
Series 2006B CAB (Accretion)	10,164,355	3,446,650	—	13,611,005	—
Deferred refunding 2006	(8,265,373)	322,027	—	(7,943,346)	—
Series 2007 A-1 CIB	51,975,000	—	1,000,000	50,975,000	1,450,000
Series 2007 A-2 CIB	52,200,000	—	4,700,000	47,500,000	—
Series 2007 B-1 CIB	51,975,000	—	1,000,000	50,975,000	1,450,000
Series 2007 B-2 CIB	52,200,000	—	27,135,000	25,065,000	—
Series 2007 C-1 CIB	51,975,000	—	1,000,000	50,975,000	1,450,000
Series 2007 C-2 CIB	52,200,000	—	23,275,000	28,925,000	—
Series 2007 D-1 CIB	52,035,000	—	1,025,000	51,010,000	1,475,000
Series 2007 D-2 CIB	52,165,000	—	15,015,000	37,150,000	—
Premium 2007 A1-D1 CIB	3,609,666	—	392,257	3,217,409	—
Discount 2007 A1-D1 CIB	(102,167)	11,103	—	(91,064)	—
Premium 2007 A2-D2 CIB	2,588,874	—	927,991	1,660,883	—
Deferred refunding 2007	(49,019,529)	10,771,070	—	(38,248,459)	—
Deferred refunding 2008	(18,542,560)	1,087,258	—	(17,455,302)	—
Series VRF 2009 CIB	17,865,000	—	1,830,000	16,035,000	1,880,000
Premium VRF 2009 CIB	593,031	—	132,681	460,350	—
Series 2010A CAB (Principal)	—	21,834,746	—	21,834,746	—
Series 2010A CAB (Accretion)	—	279,156	—	279,156	—
Series 2010C CIB	—	81,655,000	—	81,655,000	—
Discount 2010C CIB	—	3,759	330,428	(326,669)	—
Deferred refunding 2010	—	198,368	17,438,623	(17,240,255)	—
Total	$ 1,401,970,860	179,067,003	152,811,257	1,428,226,606	39,885,000

At December 31, 2011, scheduled payments for revenue bonds payable over the next five years and thereafter are as follows:

		Principal	Interest	Total
Year(s) ending December 31:				
2012	$	48,510,000	24,951,165	73,461,165
2013		55,540,000	25,265,151	80,805,151
2014		59,880,000	23,007,597	82,887,597
2015		69,235,000	22,438,285	91,673,285
2016		79,325,000	20,986,144	100,311,144
2017 – 2021		487,730,000	81,337,752	569,067,752
2022 – 2026		552,865,000	51,944,350	604,809,350
2027 – 2031		637,500,000	21,859,838	659,359,838
2032 – 2036		596,190,000	21,861,140	618,051,140
2037 – 2041		467,175,000	8,205,579	475,380,579
		3,053,950,000	301,857,001	3,355,807,001
Add premiums net of discounts		5,113,527	—	5,113,527
Less unamortized deferred refunding		(132,612,583)	—	(132,612,583)
Total scheduled payments		2,926,450,944	301,857,001	3,228,307,945
Less future years' accretion		(1,472,520,294)	—	(1,472,520,294)
Total bonds payable	$	1,453,930,650	301,857,001	1,755,787,651

Included in the above principal payment schedule is $1,472.5 million of expected future year interest accretion on the Senior CAB 1997B bond series, Senior CAB 2000B bond series, Senior CAB 2004A and 2004B bonds series, Senior 2006B bond series, and the Senior 2010A bond series.

Further detail of the Authority's revenue bonds payable is as follows:

(a) 1997 Series Bonds

The 1997 Series bonds were issued to refund the Authority's 1986 Series bonds, which were originally issued to finance the construction of the Authority's first three segments of the road.

Senior Current Interest Bonds Series 1997A – These bonds originally consisted of serial bonds ($113.2 million) and term bonds ($328.4 million) totaling $441.6 million. This bond series was partially refunded in 2007 with the original 2007 auction-rate Series Bonds (as described in note 6(f)).

Senior Capital Appreciation Bonds Series 1997B – This bond series was partially refunded in 2010 for a portion of the maturity values totaling $20.1 million between 2011 and 2015 with the Series 2010A capital appreciation bonds and 2010C current interest bonds (as described in note 6(i)).

Senior Current Interest Bonds Series 1997C – These bonds were originally issued at a par value of $38.5 million. In 2008, the Authority called (redeemed) the outstanding balance of the 1997C senior current interest bonds along with a 1% call premium and accrued interest as of the date of redemption of $27.0 million, using funds from an authorized restricted account and the unrestricted Senior Bonds Defeasance Fund of the General Surplus account.

(b) 2000 Series Bonds

Senior Current Interest Bonds Series 2000A – These bonds were originally issued at a par value of $105.2 million. This bond series was fully refunded in 2006 with the Series 2006A current interest bonds and the 2006B capital appreciation bonds (as described in note 6(e)).

Senior Capital Appreciation Bonds Series 2000B – These bonds were originally issued at a par value of $252.8 million to finance construction of Segment IV of the toll road. This bond series was partially refunded in 2004 with the 2004 Series Bonds (as described in note 6(d)).

(c) 2001 Series Bonds

The 2001 Vehicle Registration Fee Bonds (2001 VRF bonds) were issued ($46.2 million) to advance refund approximately $45.0 million of 1995 pledged VRF bonds. The related liability on the 1995 pledged VRF bonds that were refunded was removed from the Authority's statements of net deficit as the bonds were no longer outstanding. The 2001 VRF bonds were issued as variable-rate bonds with final maturity in September 2018 with an associated interest rate swap. In May 2009, the Authority redeemed a portion of the outstanding VRF variable-rate bonds ($37.1 million) totaling $17.7 million and reissued the remaining balance of $19.4 million as fixed-rate bonds (2009 Series Bonds – see note 6(h)). The related interest rate swap was fully terminated in conjunction with the reissuance of the 2009 bonds.

(d) 2004 Series Bonds

On December 22, 2004, the Authority issued $76.5 million of noncallable capital appreciation bonds (Series 2004A), $70.7 million callable capital appreciation bonds (Series 2004B), and $16.7 million noncallable convertible appreciation bonds (Series 2004C) to advance refund certain portions of the outstanding Series 2000B bonds totaling $133.0 million, which includes accreted interest. As a result, the refunded 2000B bonds were legally defeased (see note 6(k)), and the liability for those bonds has been removed from the Authority's statements of net deficit. The 2004C convertible appreciation bonds were converted to current interest bonds on September 1, 2011 with outstanding principal of $16.7 million and accumulated accretion of $5.4 million for a total outstanding principal balance of $22.1 million.

(e) 2006 Series Bonds

On September 21, 2006, the Authority issued $53.7 million of callable current interest bonds (Series 2006A) and $56.9 million of callable capital appreciation bonds (Series 2006B) to advance refund the entire outstanding Series 2000A bonds totaling $105.2 million. As a result, the refunded 2000A bonds were considered to be legally defeased, and the liability for these bonds was removed from the Authority's statements of net deficit. The escrow account for the legally defeased debt paid the final maturity in September 2010. The Authority completed the advance refunding as the first of a two-step process to level off future debt service payments, with step two occurring in 2007 (see note 6(f)).

On November 25, 2008, the Authority cash defeased a portion of the 2006A bonds of approximately $22.6 million with original principal maturities between 2009 and 2014. Approximately $24.9 million was transferred from the Senior Bonds Debt Service Reserve account to fund an escrow that will continue to pay principal and interest on these bonds as they become due. As the portion of these bonds was considered defeased (see note 6(k)), the liability had been removed from the Authority's statements of net deficit. Cash became available to fund this transaction when the Authority purchased a $25.0 million surety policy from MBIA to replace these funds within the Senior Bonds Debt Service Reserve account and to meet the fund requirements as specified by the Bond Resolutions (see note 3(e)).

(f) 2007 Series Bonds

On June 14, 2007, the Authority issued $105.8 million of auction-rate bonds (Series 2007A), $105.8 million of auction-rate bonds (Series 2007B), $105.8 million of auction-rate bonds (Series 2007C), and $105.9 million of auction-rate bonds (Series 2007D) to current refund a significant portion of the Series 1997A current interest bonds totaling $409.1 million. As a result, the related liability for the refunded portion of the 1997A bonds was removed from the Authority's statements of net deficit as the bonds were no longer outstanding. This was the second refunding in a two-step process to level off future debt payments. As a means to hedge its borrowing costs, when compared against fixed–rate bonds at the time of issuance of the 2007 auction-rate bonds, the Authority originally entered into three separate interest rate swap agreements with three different counterparties – George K. Baum & Company (GK Baum), JP Morgan Chase Bank, NA (JP Morgan – JP-1) and Morgan Stanley Capital Services, Inc. (Morgan Stanley – MS-1), two of which remain in effect as of December 31, 2011 and 2010 (see note 7). The original 2007 auction-rate Series Bonds were subsequently remarketed in 2008 to fixed–rate and term–rate bonds (as described in note 6(g)).

(g) Remarketing of the 2007 Series Bonds

In May 2008, the Authority remarketed all of the 2007 Series auction-rate bonds (as described in note 6(f)) as fixed–rate and term–rate bonds. The transaction changed the interest mode of the 2007 Series bonds and did not change the annual principal maturities or maturity dates of the original 2007 Series bonds. Because the 2007 Series auction-rate bonds had different auction periods, the conversion occurred over the course of several days in May 2008. The Authority remarketed the original Series 2007A auction-rate bonds into $53.3 million of fixed–rate bonds (Subseries 2007A-1) and $52.2 million of term–rate bonds (Subseries 2007A-2), Series 2007B auction-rate bonds into $53.3 million of fixed–rate bonds (Subseries 2007B-1) and $52.2 million of term–rate bonds (Subseries 2007B-2), Series 2007C auction-rate bonds into $53.3 million of fixed–rate bonds (Subseries 2007C-1) and $52.2 million of term–rate bonds (Subseries 2007C-2), and the Series 2007D auction-rate bonds into $53.4 million of fixed–rate bonds (Subseries 2007D-1) and $52.2 million of term–rate bonds (Subseries 2007D-2). The Subseries 2007A-2 and Subseries 2007B-2 term–rate bonds had a redemption date of September 2, 2011 (see note 6(j)), and the Subseries 2007C-2 and Subseries 2007D-2 term–rate bonds have a redemption date of September 2, 2013. If the bonds are not converted (refunded) on the stated redemption date, the bonds reset to the failed remarketing rate of 12% based on the Bond Resolutions. Currently, the Authority has not had a failed remarketing resulting in interest due at 12%.

As a result of converting the Series 2007 auction-rate bonds into fixed and term–rate bonds, the Authority terminated the pay-fixed interest rate swap agreement with GK Baum for $6.0 million. Further, the Authority entered into two additional reversing receive-fixed interest rate swaps with Morgan Stanley (2008 LIBOR swap (MS-2) and 2008 SIFMA swap (MS-3)) at the time of the remarketing to offset the effect of the two remaining 2007 pay-fixed interest rate swaps (see note 7).

From June 5, 2007 to May 30, 2008, the two 2007 pay-fixed interest rate swaps with JP Morgan and Morgan Stanley were effectively hedging interest rate risk on the 2007 auction-rate bonds. At the date of remarketing the original Series 2007 bonds from auction-rate bonds to fixed and term–rate bonds (May 2008), the negative fair value of the 2007 pay-fixed interest rate swaps was $20 million. The Authority is amortizing the effective values deferred from June 5, 2007 to May 30, 2008 as a component of revenue bonds payable (2008 deferred refunding) and interest expense on a straight-line basis, using the combined weighted average notional outstanding for the period. The 2008 deferred refunding balance was approximately $16.6 million and $17.5 million as of December 31, 2011 and 2010, respectively, and is expected to fully amortize on September 1, 2039, the final maturity of the outstanding Series 2007 bonds remarketed in 2008.

This bond series was partially refunded in October 2010 for a portion (at par value) of the Subseries 2007A-2, 2007B-2, 2007C-2, and 2007D-2 term–rate bonds totaling $70.1 million along with a portion of the Series 1997B bonds with the Series 2010 capital appreciation bonds and 2010C current interest bonds (as described in note 6(i)). Further, the remaining portions of the 2007A-2 and 2007B-2 bonds totaling $72.6 million were refunded in September 2011 (see note 6(j)).

(h) 2009 Series Bonds

On May 1, 2009, the Authority issued $19.4 million of VRF bonds (2009 Series bonds) to current refund the entire remaining outstanding 2001 VRF Series variable–rate bonds after redemption of approximately $17.7 million (see note 6(c)). As a result, the related liability of the refunded 2001 VRF Series bonds was removed from the Authority's statements of net deficit and eliminated the Authority's exposure to the related variable–rate debt as the interest rate swap was terminated.

(i) 2010 Series Bonds

On October 26, 2010, the Authority issued $21.8 million of capital appreciation bonds (Series 2010A) and $81.7 million of current interest bonds (Series 2010C) to purchase (redeem) through the tender invitation in 2010 a portion of the Series 1997B capital appreciation bonds maturing between 2011 and 2015 with a total par and accumulated accretion value of $20.1 million, and a portion (at par value) of the Subseries 2007A-2 ($4.7 million), 2007B-2 ($27.1 million), 2007C-2 ($23.3 million), and 2007D-2 ($15.0 million) term–rate bonds with original maturities in 2025, 2026 and 2037. The purpose of the tender was to restructure debt service.

The Authority contributed $10.0 million from the unrestricted General Surplus account (Senior Bond Defeasance Fund) to the transaction along with approximately $3.6 million in bond proceeds to partially terminate the notional amounts within the interest rate swaps related to the Subseries 2007A-2 to 2007D-2 maturities tendered. The swaps affected included the 2007 LIBOR swap (MS-1), 2007 LIBOR swap (JP-1), and the 2008 LIBOR swap (MS-2) for a total net termination payment to the swap counterparties of $13.6 million (see note 7). After payment of

$1.8 million in underwriting fees and other issuance costs and $13.6 million used to partially terminate the three swap agreements, the net proceeds of $97.7 million were used to purchase portions of the 1997B capital appreciation bonds and Subseries 2007A-2 to 2007D-2 term–rate bonds and pay the 1% redemption premium and any accrued interest related to the tendered bonds with the new 2010A and 2010C bonds for debt service. As a result, the related liabilities of the tendered portions of the Series 1997B and Subseries 2007A-2 to 2007D-2 bonds were removed from the Authority's statement of net deficit as of December 31, 2010 as the bonds were no longer outstanding.

The transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $16.1 million and $17.2 million, net of amortization at December 31, 2011 and 2010, respectively. This difference, reported in the accompanying basic financial statements as a deduction from revenue bonds payable, is being amortized as a component of interest expense through the shorter life of the old and the new debt, which is 2026. The transaction reduces debt service payments in the years 2011 to and including 2024 by $47.3 million; however, it increases debt service payments (net) in the years 2025 to 2041 by $163.0 million, with an overall increase in debt service payments of $21.1 million over the span of the related Series 2010 bonds. The transaction resulted in a net present value economic loss of $0.7 million after consideration of the $10.0 million of surplus funds used.

(j) 2011 Series Bonds

On September 2, 2011, the Authority refunded the remaining outstanding balances of the Subseries 2007A-2 ($47.5 million) and 2007B-2 ($25.1 million) fixed-rate term bonds totaling $72.6 million with funds received from the issuance of the Series 2011A SIFMA Index Term Rate bonds occurring on August 26, 2011. The current refunding required the funds received from the issuance of the Series 2011A bonds on August 26th plus funds received from the senior debt service fund for accrued interest on the refunded bonds to remain in a restricted escrow fund until the redemption date of the refunded bonds on September 2, 2011. The proceeds of $72.6 million were used to defease 100% of the redemption price equal to the principal amount outstanding on the Subseries 2007A-2 and 2007B-2 bonds, and the related liability for those bonds has been removed from the Authority's statement of net deficit as of December 31, 2011 as the bonds are no longer outstanding. The Authority used funds from the General Surplus account (Senior Bond Defeasance Fund) to pay all related underwriting fees and other issuance costs totaling approximately $1.0 million.

The Series 2011A bonds are subject to optional redemption on or after March 1, 2014 with a mandatory tender and remarketing date of September 1, 2014. The Authority pays interest on the bonds each month based on the previous months' final SIFMA market pricing plus 272 basis points (2.72%). The principal portion of the Series 2011A bonds is payable in September 2026 and September 2037 to September 2039 with amounts ranging between $13.5 million to $22.3 million. These principal amounts due did not change from the outstanding Subseries 2007A-2 and 2007B-2 annual debt service requirements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $8.5 million, net of amortization at December 31, 2011. This difference, reported in the accompanying basic financial statements as a deduction from revenue bonds payable, is being amortized as a component of interest expense through the shorter life of the old (including previous refunded debt) and the new debt, which is 2026. The refunding resulted in a net present value economic gain of $39.9 million, which is based on comparing the refunded bonds debt service at the failed remarketing rate of 12% until maturity in 2039, versus an estimated interest rate of 7.5% on the Series 2011A bonds from the remarketing date of September 1, 2014 to final maturity in 2039. Using these same assumptions, the refunding reduces debt service payments in the years 2011 to and including 2039 by $82.2 million.

(k) Legal Defeasance of Senior Revenue Bonds

Various bonds previously issued by the Authority have been legally defeased and, thus, are not reflected as revenue bonds payable in the Authority's statements of net deficit. The Authority has entered into advance refunding transactions whereby bonds were issued to facilitate the defeasance of the Authority's obligations with respect to certain refunded bonds. In these advanced refunding transactions, an escrow agreement was entered into, and a portion of the proceeds was deposited in an escrow account. The deposited amounts, along with interest earnings, are used by the Trustee to pay interest due until redemption. The Authority considers the following refunded bonds to be legally defeased, even though the debt has not actually been paid at this time. The 2000B senior capital appreciation bonds were fully redeemed from the related escrow account on September 1, 2011. The following amounts are the unpaid principal balances of the defeased bonds as of December 31, 2011 and 2010:

	Amount	
	2011	**2010**
Senior capital appreciation bonds – 2000B (maturity value)	$ —	6,600,000
Senior current interest bonds – 2006A	10,895,000	14,990,000

(7) Derivative Instruments

The Authority currently has four interest rate swap agreements that are considered investment derivatives under GASB Statement No. 53 as of December 31, 2011 and 2010.

As a means to hedge its borrowing costs, when compared against fixed–rate bonds at the time of issuance of the Series 2007 auction-rate bonds in June 2007, the Authority originally entered into separate pay-fixed, receive–floating LIBOR interest rate swap agreements with Morgan Stanley (MS-1) and JP Morgan (JP-1) (formerly known as Bear Stearns). The intention of these two pay-fixed swaps was to effectively change the Authority's variable interest rate on the Series 2007 auction-rate bonds to a synthetic fixed rate of 3.832% until final maturity of the bonds in September 2039. The fixed amount and the floating (variable) amounts are to be netted against each other. The payment of one is due only to the extent it exceeds the other on the first day of each month.

As a result of remarketing the Series 2007 auction-rate bonds into fixed and term–rate bonds in May of 2008 combined with the negative fair value of the two pay-fixed 2007 LIBOR interest rate swaps with JP

Morgan and Morgan Stanley, the Authority entered into two additional “reversing” receive-fixed, pay–floating interest rate swaps at the time of remarketing with Morgan Stanley (2008 LIBOR swap (MS-2) and 2008 SIFMA swap (MS-3)) to offset the negative fair value and swap cash flows. The MS-2 interest rate swap is associated with the remaining Subseries 2007C-2 and 2007D-2 term–rate bonds callable in September 2013, while the MS-3 interest rate swap is associated with the Subseries 2007A-1, B-1, C-1, and D-1 fixed–rate bonds with final maturities in September 2024. For both 2008 swaps, the floating rate reset date is the effective date and every Thursday thereafter. The fixed amount and the variable amounts are to be netted against each other, and the payment of one is due only to the extent it exceeds the other on the first day of each month.

In October 2010, the Authority issued the Series 2010 bonds and used approximately $3.6 million from the 2010 bond proceeds in addition to the contribution of $10.0 million from unrestricted surplus funds to partially terminate the notional amounts within the interest rate swaps related to the Subseries 2007A-2 to 2007D-2 maturities tendered. The swap termination cash flows included the Authority paying Morgan Stanley $5.4 million, of which $8.3 million related to the original 2007 LIBOR swap (MS-1) owed by the Authority and $2.9 million related to the 2008 LIBOR swap (MS-2) owed to the Authority, as well as the Authority paying JP Morgan $8.2 million related to the 2007 LIBOR swap (JP-1) for a total net swap termination payment of $13.6 million. The net swap termination is reflected within investment revenues – loss on derivative instruments on the statement of revenues, expenses, and changes in net deficit for the year ended December 31, 2010. The reduction (unwind) of the swap notional amounts on the date of the swap terminations of the MS-1, MS-2 and JP-1 swaps was $35.1 million, $70.1 million and $35.1 million, respectively.

In August 2011, the Authority issued the Series 2011A SIFMA Index Term Rate bonds totaling $72.6 million with an optional redemption on or after March 1, 2014 and a mandatory tender and remarketing date of September 1, 2014. The corresponding offsetting 2008 swap (MS-2) had approximately $72.6 million of notional amounts that matured on the effective date of September 1, 2011 leading to an overall reduction in notional amount and related offsetting swap cash flows and fair value. Additionally, the swap agreements were amended for the portions of the Authority’s two 2007 pay-fixed LIBOR interest rate swaps (MS-1 and JP-1), which have outstanding notional amounts from 2026 to 2039 related to the new outstanding Series 2011A bonds maturities. The Authority pays variable interest on the bonds each month based on the previous months’ final SIFMA market pricing plus 272 basis points (2.72%). This spread plus the MS-1 and JP-1 pay-fixed interest rate of 3.832% leads to an effective interest rate of 6.552% on the outstanding Series 2011A bonds during the term–rate period, where the Authority takes on the basis risk between LIBOR (swaps) and SIFMA (bonds). However, the relationship between the Series 2011A bonds and the two 2007 swaps did not meet the requirements of a hedging derivative instrument; therefore, the related swap fair values continued to be recorded as investment derivatives as of December 31, 2011.

During 2011, the Authority paid swap settlements on the 2007 pay-fixed swaps (MS-1 and JP-1) of $8.8 million and received swap settlements on the 2008 receive-fixed swaps (MS-2 and MS-3) of $6.3 million, for a net swap settlement differential of $2.5 million during the year. During 2010, the Authority paid swap settlements on the 2007 pay-fixed swaps of $10.6 million and received swap settlements on the 2008 receive-fixed swaps of $7.8 million, for a net swap settlement differential of $2.8 million during the year.

The following table provides a summary of the Authority's investment derivative interest rate swaps as of December 31, 2011:

	Original notional amount	Current notional amount	Effective date	Maturity date	Terms	Counterparty
2007 LIBOR swap (JP-1)	$ 155,252,500	120,190,000	6/14/2007	9/01/2039	Pay 3.832%; receive 67% one–month LIBOR	JP Morgan
2007 LIBOR swap (MS-1)	155,252,500	120,190,000	6/14/2007	9/01/2039	Pay 3.832%; receive 67% one–month LIBOR	Morgan Stanley
Total notional amounts for pay-fixed swaps	$ 310,505,000	240,380,000				
2008 LIBOR swap (MS-2)	$ 208,765,000	66,075,000	5/30/2008	9/01/2013	Receive 2.6185%; pay 67% one–month LIBOR	Morgan Stanley
2008 SIFMA swap (MS-3)	101,740,000	101,740,000	5/30/2008	9/01/2024	Receive 3.518%; pay SIFMA index	Morgan Stanley
Total notional amounts for receive-fixed swaps	$ 310,505,000	167,815,000				

The fair values of the interest rate swap derivatives are provided to the Authority from the swap counterparties using valuation dates consistent with the Authority's reporting period. The Authority values the interest rate swap derivatives based on the swaps monthly quoted market prices from its counterparties, and has subscribed to an independent monitoring service to assist in the review of the monthly cash flows and fair market valuations received. The fair values are based on the notional amounts outstanding and swap reference rate, and are estimated based on the present value of their estimated future cash flows.

The fair values of derivative instruments outstanding at December 31, 2011, classified by type, and changes in fair value of such derivative instruments for the year then ended as reported in the basic financial statements are as follows:

	2011 Changes in fair value		Fair value at December 31, 2011	
	Classification	**Amount**	**Classification**	**Amount**
Investment derivative instruments:				
JP-1 Pay-fixed interest rate swap	Derivative loss	$ (19,549,859)	Derivative instruments	$ (40,407,589)
MS-1 Pay-fixed interest rate swap	Derivative loss	(19,550,762)	Derivative instruments	(40,409,532)
MS-2 Receive-fixed interest rate swap	Derivative loss	(2,141,817)	Derivative instruments	2,626,531
MS-3 Receive-fixed interest rate swap	Derivative gain	10,803,790	Derivative instruments	16,740,369
	Investment revenues: Derivative loss	$ (30,438,648)	Liabilities derivatives instrument	$ (61,450,221)

Credit Risk

Credit risk can be measured by actual market value exposure or theoretical exposure. When the fair value of any swap has a positive fair market value, the Authority is exposed to the actual risk that the counterparty will not fulfill its obligations. As of December 31, 2011, the Authority has credit risk on the two offsetting 2008 swaps (MS-2 and MS-3) as shown in the table below:

		Fair value at December 31, 2011
MS-2	Receive-fixed interest rate swap	$ 2,626,531
MS-3	Receive-fixed interest rate swap	16,740,369
	Total positive fair market value	$ 19,366,900

Under the swap agreements, the counterparties (JP Morgan and Morgan Stanley) are required to maintain credit quality ratings of Aa3 by Moody's and AA- by S&P. As of December 31, 2011, the counterparties had the following ratings from Moody's, S&P, and Fitch:

Counterparty	Moody's	S&P	Fitch
JP Morgan	Aa1	A+	AA-
Morgan Stanley	A2	A-	A

Since Morgan Stanley and JP Morgan are currently rated lower than their required rating by Moody's and S&P, the Authority entered into a separate credit support annex agreement with Morgan Stanley in 2010 during the time of the 2010 tender transaction, and is currently negotiating a credit support annex agreement with JP Morgan due to their S&P rating downgrade to A+ in November of 2011. Under these agreements, the Authority can require the counterparty to post collateral at any time when the aggregate fair market value of the three Morgan Stanley swaps or the separate JP Morgan swap is an asset to the Authority; however, these counterparty rating downgrades did not trigger a termination event. The Authority monitors its fair market value and the ratings on its counterparties regularly to determine if credit risk is a concern. The Authority has not calculated theoretical credit exposure on its swaps. There is no master netting agreement between the Authority and either counterparty.

Interest Rate Risk

Interest rate risk exists if the investment derivative exposes the Authority to interest rate risk. Each of the four investment derivatives exposes the Authority to interest rate risk because changes in interest rates will affect the fair market value of each of the investment derivatives. As variable LIBOR and SIFMA rates increase or decrease, the amount of each net settlement changes resulting in potentially dramatic changes in fair market value from period to period. Since the Authority has two investment derivatives that are receive-variable payments and two offsetting investment derivatives that are pay-variable payments, the interest rate risk is mitigated overall. The following table shows the impact of a 25 basis point (0.25%) increase and decrease in related rates in a parallel yield curve shift for each outstanding investment derivative:

		Sensitivity of investment derivatives to changes in interest rates		
		Fair value at December 31, 2011	**Interest rates up 25 basis points**	**Interest rates down 25 basis points**
JP-1	Receive-variable (LIBOR) swap	$ (40,407,589)	(36,558,249)	(44,421,889)
MS-1	Receive-variable (LIBOR) swap	(40,409,532)	(36,560,279)	(44,423,897)
MS-2	Pay-variable (LIBOR) swap	2,626,531	2,436,850	2,805,862
MS-3	Pay-variable (SIFMA) swap	16,740,369	14,585,513	18,951,845
		$ (61,450,221)	(56,096,165)	(67,088,079)

Foreign Currency Risk

All of the interest rate swaps are denominated in U.S. dollars; therefore, the Authority is not exposed to foreign currency risk.

Contingent Features

The Authority or counterparty may terminate the swap if the other party fails to perform under the terms of the swap contract or any credit support annex agreement. In such cases, the Authority may owe or be due a termination payment depending on the fair market value of the interest rate swap at that time. The termination payment due to the counterparty or from the counterparty may not be equal to the fair market value. A termination of any interest rate swap may automatically occur due to cross default, bankruptcy, merger and other defined events found in the swap agreements. Termination risk is a contingent feature of the investment derivatives and is described below. The Authority is not required to post collateral under its swap agreements.

Termination Risk: The 2007 LIBOR interest rate swap agreements (JP-1 and MS-1) expire on September 1, 2039, while the 2008 LIBOR swap agreement with Morgan Stanley (MS-2) has a termination date of September 1, 2013, and the 2008 SIFMA swap agreement with Morgan Stanley (MS-3) has a termination date of September 1, 2024. All swap agreements are subject to early termination by the parties in certain specified events. These events include events of default; a failure by the swap insurer (MBIA) to maintain specified financial strength, claims paying ability, or equivalent ratings; and other ratings of the Authority and swap counterparty falling below the specified ratings in the swap agreements. No early termination events were triggered as of December 31, 2011. MBIA's financial strength and claims paying ability ratings have been downgraded to B by S&P; however, it does not cause automatic termination and settlement of the swaps alone. The Authority's underlying senior bond rating would have to go below BBB- by S&P or Baa3 by Moody's to cause a termination event. As of December 31, 2011, the Authority's underlying senior bond rating was BBB- by S&P and Baa2 by Moody's. If the swap agreements had an unscheduled ending, any associated termination payments would not impact the Authority's asset/liability strategy as the Authority holds approximately $140.5 million in unrestricted surplus funds at December 31, 2011. In addition, the Authority has the ability to exercise, at its sole discretion, early termination of the swap agreements at a mutually agreed–upon price for any reason.

Further, in August 2011, in conjunction with the issuance of the Series 2011A bonds, the Authority and the swap insurer, MBIA (administered by National Public Finance Guarantee (National)), entered into an amendment to the original swap insurance agreements to insert a provision stating that if, at any time during the remaining term of the 2007 pay-fixed swaps, the estimated settlement amount based on the swap fair value report is equal to or less than a liability balance of $2.0 million, the Authority may be notified by National to terminate the swap or may seek to cancel swap insurance coverage under the original 2007 and 2008 swap policies. As of December 31, 2011, the negative fair value (liability balance) of the specific notional amounts related to the Series 2011A bonds was $28.8 million and did not trigger a possible termination event.

(8) Notes Payable

The following is an analysis of changes in notes payable for the years ended December 31, 2011 and 2010:

	Balance at January 1, 2011	Additions	Reductions	Balance at December 31, 2011	Due within one year
Other intergovernmental agreements	$ 2,407,693	—	240,769	2,166,924	240,769
Total	$ 2,407,693	—	240,769	2,166,924	240,769

	Balance at January 1, 2010	Additions	Reductions	Balance at December 31, 2010	Due within one year
Other intergovernmental agreements	$ 2,407,693	—	—	2,407,693	240,769
Total	$ 2,407,693	—	—	2,407,693	240,769

At the beginning of 2008, an intergovernmental agreement for $2.4 million remained outstanding with Douglas County for the Jamaica interchange construction loan. The remaining balance of $2.4 million began to be repaid to Douglas County in ten equal payments starting in 2011 at no interest.

(9) Deferred Revenue and Other Noncurrent Liabilities

The following is an analysis of changes in deferred revenue for the years ended December 31, 2011 and 2010:

Balance at January 1, 2011	Additions	Reductions	Balance at December 31, 2011	Due within one year
$ 453,702	—	29,001	424,701	—

Balance at January 1, 2010	Additions	Reductions	Balance at December 31, 2010	Due within one year
$ 639,059	—	185,357	453,702	—

Under the Bond Resolutions, the Authority is required to make scheduled payments with respect to Senior Bonds by depositing certain moneys into the Senior Bonds Debt Service Account held by the Trustee. The Authority has deemed the reinvestment of these funds for a period prior to the required payment date to be desirable. To facilitate the reinvestment, the Authority entered into a Debt Service Forward Delivery Agreement in December 1997 with U.S. Bank National Association and Lehman Brothers Special Financing Inc. (LBSF). Under the terms of the original agreement in 1997, LBSF agreed to pay a facility fee of $11.25 million for the opportunity to use the funds to invest in qualified securities. The agreement provides for the appropriate amounts to be available as needed for scheduled debt service payments.

During 2007, 2008, and 2010, the Authority refunded, tendered and redeemed a portion of the Series 1997A, 1997B and 1997C bonds, respectively. By entering into these transactions on the Series 1997 bonds, the Authority no longer had a requirement to deposit interest and principal into the Senior Bonds Debt Service Account in the amount that was agreed upon when entering into the Debt Service Forward Delivery Agreement with LBSF. Partial termination payments were made to LBSF in 2007 ($6.5 million), 2008 ($0.33 million), and 2010 ($0.15 million). The remaining amount of deferred revenue is being amortized over the life of the remaining 1997A and 1997B bonds, which reach final maturity in September 2026. The balance of deferred revenue at December 31, 2011 and 2010 is $0.42 million and $0.45 million, respectively.

Other noncurrent liabilities include the arbitrage rebate liability to the Authority. The Internal Revenue Code and arbitrage rebate regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five years or upon maturity of the debt, whichever is earlier. The Authority had an assessed arbitrage rebate liability of $0 and $0.05 million as of December 31, 2011 and 2010, respectively.

(10) Commitments and Contingencies

(a) Tax, Spending, and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, referred to as the Taxpayers Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's operations qualify for this exclusion.

(b) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance for most risks of loss. Claims, expenses, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2011 and 2010, no amounts have been recorded for pending or future claims. Further, claims have not exceeded insurance limits for each of the past three years.

(c) Solar Equipment

The Authority entered into a solar power purchase agreement in July 2011 with Renewable Social Benefit Funds (RSBF), L3C, which provided RSBF the right to install solar power generating facilities within the Authority's 16-mile Xcel Energy corridor. Generating facilities will be installed at all 18 ramp locations and 4 building locations within this corridor (Authority headquarters, toll plazas B and C, and the central maintenance facility) for an estimated generating capacity of 707 kilowatts. RSBF is responsible for all installation, operation and maintenance, and other associated costs of the entire generating system for a 20-year period. However, the Authority has the right and option, but not the obligation, to purchase the generating system in its entirety on the anniversary of the sixth year of full operation at a mutually agreed–upon fair market value of the solar equipment. If the option is exercised by the Authority, the generating assets will be transferred to the Authority and all responsibilities and aspects of the solar power purchase agreement will be terminated. The estimated buyout price at the exercise date is approximately $2.0 million. At December 31, 2011, the generating facilities were still being installed and were not generating power at full capacity.

(d) Ramp Financing

The Authority entered into an intergovernmental agreement in 1995 with Commerce City regarding coordination of road improvements and operations. At that time, the Authority was seeking funding for design and construction of Segments II and III and entered into many agreements with local jurisdictions. The agreement with Commerce City included many provisions including provision for the Authority to fully finance and construct the west ramps of the Tower Road/Pena Boulevard interchange based on a mutually agreed–upon design if the west ramps had not been constructed by Commerce City by January 1, 2012. As of this date, only the southwest ramp has been designed or constructed, and all other provisions in the agreement have been satisfied. The project estimate to design and construct the northwest ramp ranges between $3.2 million and $10.8 million, with the higher end of the range including estimates for potential process and contingency costs with the City and County of Denver and federal environmental policies. The capital outlay by the Authority for ramp design and construction requires agreement by all entities involved as well as approval by the Authority's board of directors. As of the date of this report, no agreement has been reached or presented to the board for approval; therefore, the potential capital outlay has not been specifically funded within the 2012 budget; however, the Authority has the necessary unrestricted surplus moneys to fund the project when approved.

(11) Litigation

The Authority is from time to time involved in various legal proceedings characterized as normally incidental to the business of the Authority. Management does not believe that the outcome of any legal proceedings will have a materially adverse impact on the financial position or results of operations of the Authority.

(12) Retirement Plans

In lieu of Social Security, the Authority contributes 6.2% of all compensation for regular employees to a retirement plan, up to the maximum Federal Insurance Contributions Act (FICA) base level of $106,800 in both 2011 and 2010, for a maximum contribution of $6,622 for 2011 and 2010. Plan members are also required to contribute 6.2% of their annual covered salary. The plan is a defined contribution plan administered by ICMA Retirement Corporation. Plan provisions and contribution requirements are established by and can be amended by the Authority's board of directors. The Authority and its employees each contributed $0.21 million and $0.20 million, respectively, to this plan in 2011 and 2010. Employees are immediately vested.

In addition, the Authority contributes to a 401(a) Retirement Plan covering 10% of all compensation for regular employees. Employees are not allowed to make contributions to the plan. The plan is a defined contribution plan administered by ICMA Retirement Corporation. Plan provisions and contribution requirements are established by and can be amended by the Authority's board of directors. Employees are 50% vested at the date of hire and 100% vested after one year of service. The Authority contributed $0.36 million and $0.36 million to this plan in 2011 and 2010, respectively.

E-470 PUBLIC HIGHWAY AUTHORITY

Supplementary Information – Revenue Covenant

Year ended December 31, 2011

(Unaudited)

Section 7.18 of the Master and Supplemental Bond Resolutions (Bond Resolutions), titled "Revenue Covenant," requires that there shall be sufficient revenues (as defined) collected, after the provision for the payment of operating expenses (as defined), to produce net income at least 1.30 times the aggregate senior debt service due for the year. For purposes of this provision, revenues and aggregate senior debt service in a fiscal year were to be reduced by the aggregate debt service due and paid from the VRF Debt Service Fund in such fiscal year on the 2009 VRF Series Bonds, unless paid for from the General Surplus account. The year ended December 31, 2002 was the first fiscal year the revenue covenant was applicable, and such covenant is applicable to all subsequent years through the payment of the Senior Bonds.

For the years ended December 31, 2011 and 2010, the Authority exceeded the required debt service coverage ratio reporting actual ratios of 1.57 and 1.39, respectively. Below is the calculation for the year ended December 31, 2011:

Revenue:		
Toll operations	$	111,362,630
Vehicle registration fees		8,767,892
Unrestricted investment income		6,132,591
Other income		1,779,708
Total revenue		128,042,821
Less operating expenses before depreciation, net of renewal and replacement expenses		(25,529,628)
Net income available for senior debt service	$	102,513,193
Aggregate senior debt service due during the year	$	65,099,797
Senior debt service coverage ratio		1.57

The following is a summary description of key terminology of terms identified in the Bond Resolutions. Please refer to the Bond Resolutions for a complete description and additional clarification of the below terms.

Revenue: As defined by the Bond Resolutions, revenue comprises amounts received by the Authority from fees, tolls, rates, and charges for the privilege of traveling on the E-470 toll road. Revenues also include all other amounts derived from or in respect of the ownership or operation of the toll road, which constitute revenues in accordance with generally accepted accounting principles, including accrued toll revenues. Revenues also include vehicle registration fees and other amounts derived from the E-470 toll road, as defined in the Bond Resolutions. Revenues do not include investment income that is externally restricted by credit agreements for purposes other than senior debt service. Revenues also do not include investment income that is noncash in nature, such as unrealized gains (losses), premiums, and discounts.

E-470 PUBLIC HIGHWAY AUTHORITY

Supplementary Information – Revenue Covenant

Year ended December 31, 2011

(Unaudited)

The following is a reconciliation of investment income reported in the audited basic financial statements of the Authority for the year ended December 31, 2011 to unrestricted investment income available for senior debt service:

Investment income per the basic financial statements	$	11,574,839
Less:		
Increase in fair value of investments		(5,742,375)
Gain on investments		(38,503)
Restricted investment income		(186,435)
Add unamortized investment premium		525,065
Unrestricted investment income	$	6,132,591

The following is a reconciliation of other income (loss) reported in the audited basic financial statements of the Authority for the year ended December 31, 2011 to other income available for senior debt service:

Other income (loss) per the basic financial statements	$	(281,786)
Less:		
Decrease in arbitrage rebate		(104,125)
Gain on sale of capital assets		(52,203)
Add other noncash revenues (expenses)		2,217,822
Other income	$	1,779,708

Operating Expense: As defined by the Bond Resolutions, operating expenses are amounts expended for the operation, maintenance, repair, and any other current expenses or obligations required to be paid by the Authority directly attributable to the operation of the E-470 toll road. Operating expenses do not include depreciation expense, interest for debt service, or expenses associated with the renewal and replacement accounts established under the Bond Resolutions. Per the Bond Resolutions, renewal and replacement expenses are to be funded after senior debt service.

E-470 PUBLIC HIGHWAY AUTHORITY

Supplementary Information – Revenue Covenant

Year ended December 31, 2011

(Unaudited)

The following is a reconciliation of operating expenses before depreciation expense reported in the audited basic financial statements of the Authority for the year ended December 31, 2011 to operating expenses before depreciation expense, net of nonoperating fund expenses, included in the revenue covenant calculation:

Operating expenses before depreciation and interest per the audited basic financial statements	$	29,256,538
Less renewal and replacement expenses		(3,726,910)
Operating expenses before depreciation expense, net of nonoperating fund expenses	$	25,529,628

VRF Bonds Aggregate Debt Service: VRF bonds aggregate debt service is the aggregate debt service due and paid from the VRF Debt Service Fund for the year ended December 31, 2011 on the 2009 VRF Series Bonds. VRF bonds aggregate debt service excludes the entire principal and interest amount due in 2011 of $2.5 million as these amounts were paid from the General Surplus account as specified in the Bond Resolutions.

Aggregate Senior Debt Service Due: For the year ended December 31, 2011, aggregate senior debt service due is all principal and interest due on outstanding senior bonds, which includes Senior Bond Series 1997A, 1997B, 2006A, 2007A-1, 2007A-2, 2007B-1, 2007B-2, 2007C-1, 2007C-2, 2007D-1, 2007D-2, 2010C and 2011A, as well as the paid settlement differential on the Authority's four interest rate swaps during the year.

Senior Debt Service Coverage Ratio: Senior debt service coverage ratio is the ratio of net income available for senior debt service to aggregate service debt service due during the fiscal year.